



PRE-RETIREMENT Education Program

PREPARE *for Your* RETIREMENT



Members participating
prior to
September 1, 2008



Members participating
on, or after,
September 1, 2008 through
December 31, 2013



OUR WEBSITE

<https://kyret.ky.gov>

- Member Forms and directions
- News & Updates
- Publications (Recent and Archive)



SELF SERVICE

- Update your personal information
- Calculate your benefits
- Get your retirement information



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PRE-RETIREMENT Education Program

PLAN ADMINISTRATION



The Commonwealth of Kentucky provides retirement benefits for state and county employees through the Kentucky Retirement Systems (KRS). KRS is governed by a Board of Trustees and consists of three separate retirement systems:



Kentucky Employees Retirement System (KERS)

Hazardous and Non-Hazardous

Established July 1, 1956 for state employees. Governed by Kentucky Revised Statutes 61.510 through 61.705



County Employees Retirement System (CERS)

Hazardous and Non-Hazardous

Established July 1, 1958 for local government and classified school board employees. Governed by Kentucky Revised Statutes 78.510 through 78.852



State Police Retirement System (SPRS)

Established July 1, 1958 for Kentucky State Police officers. Governed by Kentucky Revised Statutes 16.505 through 16.652



PLAN FUNDING

Benefits are funded through three sources:

- Member contributions deducted from a member's creditable compensation.
- Employer contributions paid by each state and county agency participating in the KRS.
- Return on investments.





NOTE: House Bill 1, enacted by the 2008 Special Session of the General Assembly, amended the contribution rates for members with a participation date on or after September 1, 2008.

The member contribution rate is set by state law. Tier 1 members contribute 5% of their creditable compensation if non-hazardous and 8% if hazardous. Tier 2 Non-Hazardous members contribute a total of 6% of their creditable compensation to KRS. Five percent (5%) of this contribution will be deposited to the individual member's account; the other 1% will be deposited to the KRS Insurance Fund. Tier 2 Hazardous members contribute a total of 9% of their creditable compensation to KRS. Eight percent (8%) of this contribution will be deposited to the individual member's account; the other 1% will be deposited to the KRS Insurance Fund. Member contributions paid to KRS are deposited to individual member accounts. When a member retires, his or her account balance is transferred to the Retirement Allowance Account.

When mandatory member contributions are automatically deducted, the contributions are exempt from Federal and State Income Tax withholding. Mandatory member contributions have been exempt from Federal and State Income Tax withholding since August 1, 1982. These contributions are tax deferred, which means the contributions are withheld from members' gross pay before Federal and State Income Tax.

From January 1, 1987 through December 31, 2016, Federal Social Security withholdings were also exempt. This changed January 1, 2017 under a Memorandum of Agreement between the Commonwealth of Kentucky and the Internal Revenue Service. As of January 1, 2017, employee contributions are deducted after Federal Social Security is withheld.

For current employer contribution rates, please visit <https://kyret.ky.gov/Employers/Pages/Contribution-Rates.aspx>

Member Contribution Rates	 	
	TIER 1	TIER 2
KERS Non-Haz	5%	5%+1% Insurance
KERS Haz	8%	8%+1% Insurance
CERS Non-Haz	5%	5%+1% Insurance
CERS Haz	8%	8%+1% Insurance
SPRS	8%	8%+1% Insurance

The base amount of this contribution will be deposited to the individual member's account; the other one percent (1%) will be deposited to the KRS Insurance Fund.

CREDITABLE COMPENSATION



Creditable compensation is used to calculate retirement benefits and includes all salary, wages, tips and fees, plus payments for lump sum compensatory time paid to you as a result of services performed for the employer, including time when you are on paid leave.

Creditable compensation is compensation that must be reported to KRS. Tier 1 includes payments for lump sum compensatory time paid to you as a result of services performed for the employer. For Tier 2 members, creditable compensation will not include any payments for compensatory time.

Lump sum bonuses, severance pay or employer-provided payments for purchase of service credit are also included in creditable compensation; however, if these types of payments exceed \$1,000 for the fiscal year, the combined payments will be averaged over your total service in the system in which the bonus was paid. Lump sum payments for sick leave when an employee terminates may be included in creditable compensation if the agency participates in the Alternate Sick Leave Program. Lump sum payments for sick leave at any time other than termination are not reportable.

The following are not included in creditable compensation:

- Living allowances,
- Expense Reimbursements,
- Lump-sum payments for unused vacation time, and
- Lump-sum payments for unused sick leave (unless the agency participates in the Alternate Sick Leave Program).



If you are paying into a pre-tax compensation plan, such as a 401(k) or 457 plan, the amount contributed does not reduce your creditable compensation for retirement purposes. Your compensation is determined prior to any deductions to pre-tax compensation plans.

MEMBER ACCOUNTS

MEMBER ID The Member ID is your KRS account number. It is used to maintain your account and file information submitted to KRS. Your Member ID is the identifying number on KRS forms and letters you receive from our office. When calling to discuss your account, please provide your Member ID and Personal Identification Number (PIN).

PERSONAL IDENTIFICATION NUMBER (PIN) Your four-digit PIN provides an added layer of security when you interact with KRS, whether online or over the phone. We will ask for your PIN before discussing account information with you over the phone. You can request a new PIN online through Member Self Service in Step 2 of the registration process or log in and use the link on the Contact Information screen. Your PIN will be mailed or emailed to the address you have on file at KRS.

HOW KRS PROTECTS YOUR INFORMATION KRS is committed to protecting the confidentiality and security of your member data. *Some of KRS' efforts to safeguard your information include:*

- Developing policies and processes that protect members, facilities, networks and the technology infrastructure.
- Restricting the use of Social Security numbers in internal forms and other documentation. We only use the last four digits of your SSN in most cases.
- Investing in mainstream, highly regarded technology solutions that better protect all aspects of your member information.
- Implementing secure solutions when transmitting data anywhere, such as encrypted email and secure file transfer.
- Securely disposing of information, whether in paper or electronic form, so that your information is protected throughout its useful lifecycle.

KRS has taken a very proactive stand on data disclosures by adopting a specific policy to address such issues. Our disclosure policy guides us in protecting your information and revealing potential exposures. Our policy dictates that we notify members in a timely manner if your information may have been exposed. This includes making sure our business partners and vendors adhere to the same, strong policies for disclosing potential exposures of your information.

ANNUAL STATEMENT OF ACCOUNT Prior to retirement, an Annual Statement of your account is available to you online. Your Annual Statement is a valuable retirement planning tool, providing you with a snapshot of the retirement benefits, contributions, interest, and service you have been credited with through the end of the fiscal year (June 30). You should always review your Annual Statement carefully to ensure your information is correct.

You may access our self service website to view your Annual Statement. Inquiries concerning your Annual Statement should be made in writing.



Access your account online

Log in to self service at <https://kyret.ky.gov>. You will need your PIN to fully utilize our self service website and authorize changes to your account online.



NOTE: The purpose in crediting interest is to provide a modest return to those members who are not eligible for a retirement benefit and choose to take a refund after termination of employment.



Find forms online at
<https://kyret.ky.gov>.

! Always report address changes to your employer while employed.

INTEREST ON ACCOUNTS The interest credited to your account and reported on your Annual Statement is calculated based upon your account balance as of June 30 (the previous fiscal year). For Tier 1 members, interest paid is set by the Board of Trustees and will not be less than 2.0%. For Tier 2 members, interest will be credited at a rate of 2.5%.

Interest credited to your account is typically not related to the amount of benefits you will receive when you retire. Benefits for most retiring members are based on a formula using the member's service and salary.

REFUND OF ACCOUNT BALANCE Upon termination of employment, you have three options in regard to your retirement account: (1) retire if eligible, (2) leave the contributions in KRS until you reach retirement eligibility, or (3) take a refund of your account balance. If you choose to take a refund of your account balance, you will receive your individual retirement contributions plus any accumulated interest. You will not receive a refund of any employer contributions or any member contribution made to the KRS Insurance Fund.

Your refund can be paid directly to you or the funds can be rolled into another qualified retirement plan or individual IRA. If you elect to receive a direct payment, KRS is required to withhold 20% for federal income taxes. The amount withheld is not a penalty tax and will apply towards your federal tax liability for the year in which the refund was issued. Additional taxes due to age or other factors may also apply if you choose to receive a direct payment.

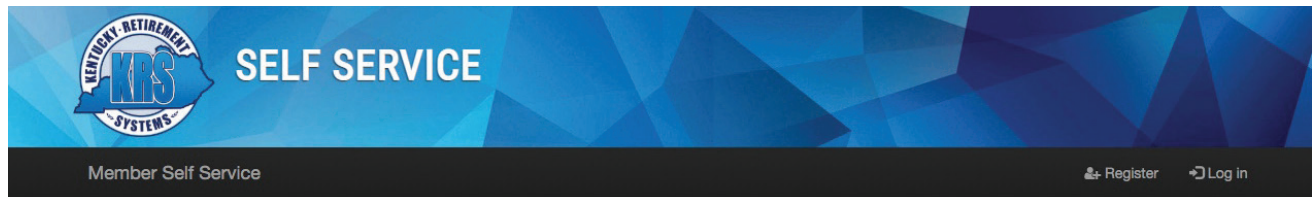
In order to process a refund of contributions, you must complete a Form 4525, Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection. The agency reporting official is also required to report your termination date on the monthly report to KRS. A refund cannot be issued until all information is received.

A refund will not be processed until at least 45 days following the termination date, provided all required information has been submitted by you and by your employer. If you are interested in taking a refund of your account balance, you may obtain a Form 4525 from our website or call our office to request a copy.

Prior to retirement, an account is maintained for individual member contributions. The balance in the account cannot be garnished or used for collateral on a loan. Members actively contributing to one of the Systems cannot withdraw funds except upon termination of employment.

CHANGE OF ADDRESS It is important to keep your address current with KRS. Doing so will ensure retirement checks and other materials are delivered to you on time. If your address changes, let your employer know as soon as possible. Your employer will notify KRS as part of their monthly reporting. You may also change your address online (see following section) or by completing Form 2040, however; the change must also be made with your employer.

ACCESSING BENEFITS INFORMATION



Member Self Service

Log in to your account

User ID

Password

☐ Save ID
Consider unchecking if on shared device

Login

[Need to register?](#)

[Forgot User ID or Password?](#)

Note: The information contained in this site is available via a secure connection.

[Employers log in here »](#)

Use Member Services to:

- View your payment details
- Change your direct deposit information
- Request an income verification letter
- Check the status of correspondence

Looking for other START accounts?

To log in to other START accounts, click a link at the bottom of Login.

Online Calculators

[Public Benefit Estimator »](#)

[IPS Estimator »](#)

[Service Purchase Estimator »](#)

ON THE INTERNET Educational materials and forms are available online. Visit the Members section of our website to learn more about your benefits. You may also use our self service site to access your retirement account online. Register in three simple steps:

1 **Go to <https://kyret.ky.gov>** Click Login in the upper right side of the page, then click Member Login.

2 **Connect to your account** To register, you will enter your Social Security number, date of birth and PIN so we can identify your account. You will only be asked for your Social Security number during this initial registration process.

You will also be asked to enter an email address which will be added to your account so that you receive important announcements, newsletters and other updates.

3 **Create login information** We will ask you to create a User ID and password, which you will use each time you log in to your account. **For additional security, you will answer a secret question.** This answer will be used if you need to reset your User ID or password.

PIN

Personal Identification Number

NOTE: You can request a new PIN online through Member Self Service, in Step 2 of the registration process, or log in and use the link on the Contact information screen. Your PIN will be mailed or emailed to the address you have on file at KRS.

PASSWORD

Creating a strong password is important. Your self service password:

- Must be at least 8 characters
- Is case sensitive
- Can't contain spaces
- Must have:
 - at least one uppercase letter
 - at least one lowercase letter
 - at least one number
 - one of the following special characters: @ # ! % \$



SELF SERVICE

When the setup steps are complete, you are ready to manage your retirement account online. *The features of self service include:*

- **Benefit Estimates** - Use current information to calculate a retirement estimate.
- **Service Purchase Estimate** - Estimate the cost to purchase eligible service using current data and see an estimate of monthly payments under an installment plan.
- **Contact Information** - View and update your contact information including your mailing address, phone numbers and email address. It is important that you keep your contact information current. Please make sure we have your email address so you receive newsletters and announcements.
- **Account Balance Letter** - Request an account balance letter showing your total service, contributions, and interest.
- **Account Summary** - View service credit, contributions, and beneficiary information.
- **Account History** - See an overview of contributions and salary through the end of the previous fiscal year.
- **Annual Statements** - View or print any your Annual Statement, which provides you with a snapshot of your account as of June 30th.



NOTE: Please call or make written requests for specific information about your account or benefits.

PHONE

Phone inquiries are handled by the KRS call center. The call center is staffed with customer service representatives and retirement counselors who are there to help you obtain services and to answer your questions. Counselors may provide specific information about your account over the phone if you provide your PIN and Member ID.

Phone Numbers (502) 696-8800 or (800) 928-4646

ELECTRONIC MAIL (EMAIL)

You may e-mail KRS at krs.mail@kyret.ky.gov. Incoming e-mail is not secure. Therefore, it is recommended that e-mail be used for general inquiries only and that the sender not include information of a confidential or personal nature.

BY MAIL

All written inquiries should include the member's name, Member ID, home mailing address, and signature. If you are requesting an estimate of retirement benefits, please include the retirement dates you are considering. If you are requesting a service purchase calculation, please include the type of purchase and the necessary verification. All written inquiries should be sent to the following address:

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601



In KRS' defined benefit plan, a member's service credit is used in part to determine eligibility for retirement and for determining the amount of benefit received upon retirement.



SERVICE CREDIT

The amount of service credit used to determine retirement eligibility and benefits may include current service, prior service, purchased service, and sick leave service (if the agency participates in a KRS approved sick leave program). The more service credit you have, the higher your retirement benefit. Below is a listing of the types of service credit and the effects each type has on retirement eligibility and benefit calculation.

CURRENT SERVICE Current service is earned as a contributing member. For each month in which wages and contributions are reported for regular full-time employment, a member earns one month of service credit.

BOARD OF EDUCATION Non-certified school board employees who work a minimum of 180 days will receive 12 months of service credit for the school year, unless they are not hired until August (or later) or are retiring June 1st (or earlier). Service credit is based on the actual days worked and will be prorated if the days worked in the school year are less than 180.

SICK LEAVE SERVICE Most Tier 1 members of KERS and SPRS receive service credit for unused accumulated sick leave at the time of retirement. Tier 2 members may receive a maximum of 12 months of service credit for unused sick time. Members of CERS may receive service credit for their sick leave at the time of retirement if their employer has adopted a sick leave program with KRS.

(See Sick Leave section on the next page for more information).

PURCHASED SERVICE There are more than 30 types of service a participating member may purchase in order to increase service credit. The requirements for each purchase type are regulated by state statute. Please note that the appropriate verification must be filed with the KRS before the purchase cost can be calculated. Please include the necessary verification and write your Member ID on any documentation you submit to our office.

If your participation date with CERS is on, or after, 1/1/2014, you are not eligible for sick leave service credit at retirement, even if an earlier participation date is established in KERS or SPRS.

LOGIN 

Use our self service website at <https://kyret.ky.gov> and log in to generate a cost calculation or a benefit estimate.



A regular full-time position averages 100 or more hours per month over a calendar or fiscal year. For local school boards, a regular full-time position is a permanent full-time, permanent part-time or substitute non-certified position where the job duties require the employee to average 80 or more hours of work per month over actual days worked.

SICK LEAVE SERVICE



The sick leave service credit for Tier 1 members counts toward retirement eligibility and health insurance benefits. Tier 2 members may receive a maximum of 12 months of service credit for unused sick time. The sick leave service credit for these members does not count toward retirement eligibility or health insurance benefits.

KERS AND SPRS MEMBERS Most Tier 1 members of KERS and all SPRS members will receive service credit for unused accumulated sick leave at the time of retirement.

CERS MEMBERS Members of CERS may receive service credit for sick leave at the time of retirement if their employer has adopted a sick leave program with KRS. There are two (2) types of sick leave that the employer may adopt — Standard or Alternate.

STANDARD SICK LEAVE SERVICE Under the Standard program in CERS the member receives service credit for up to six (6) months of unused sick leave. A CERS agency may also elect to split the cost of sick leave in excess of six (6) months with the member or pay the entire cost in excess of six (6) months. Under the Standard program, any sick leave for which the member is paid upon termination is not reported to CERS and is not eligible to be used as service credit.

ALTERNATE SICK LEAVE SERVICE Under the Alternate sick leave program in CERS, members are paid for unused sick leave and receive sick leave service credit at the time of termination or retirement. The money paid to the member for their unused sick leave is used in determining the member's final compensation and the service is also used to increase the member's service credit.



The computation of alternate sick leave is complex. If your agency participates in this plan, it is advisable that you consult with a counselor to determine the effect of alternate sick leave credit on your specific benefits.



The sick leave chart is provided to help you determine the number of months of service you may be credited upon retirement if applicable.

If you have hazardous and non-hazardous service, your sick leave may be prorated.



TIER 1 -
participation
with a state
administered
retirement
system
PRIOR TO
TO 9/1/2008



TIER 2 -
participation
with a state
administered
retirement
system
ON, OR AFTER
9/1/2008
through
12/31/2013

STANDARD SICK LEAVE CHART

Hours per work day	4 HRS	6 HRS	7.5 HRS	8 HRS	Months of Service Credit
	44	66	82.5	88	1
	128	192	240	256	2
	212	318	397.5	424	3
	296	444	555	592	4
	380	570	712.5	760	5
	464	696	870	928	6
			1,027.5	1,096	7
			1,185	1,264	8
			1,342.5	1,432	9
			1,500	1,600	10
			1,657.5	1,768	11
			1,815	1,936	12
			1,972.5	2,104	13
			2,130	2,272	14
			2,287.5	2,440	15
			2,445	2,608	16
			2,602.5	2,776	17
			2,760	2,944	18
			2,917.5	3,112	19

For more hours, please contact a KRS counselor. You only need the minimum hours of sick leave for each range to obtain the indicated months of service.

Months are not divided into partial credit.

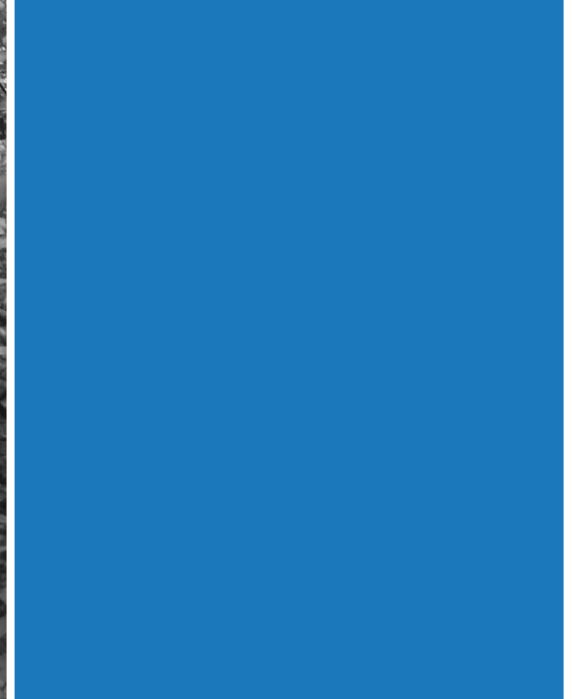


There are two (2) types of sick leave programs that the CERS employer may adopt: Standard or Alternate.



SICK LEAVE CHART 24/48 HOUR Members

Days	Months of Service Credit
5-10	1
15-20	2
25-30	3
35-40	4
45-50	5
55-60	6



PURCHASING SERVICE CREDIT

BASIC REQUIREMENTS Most types of service must meet the following minimum requirements in order to be purchased:

- The service must be in a full-time position in accordance with Kentucky Revised Statutes 61.510 and 78.510.
- The service cannot be credited to another defined benefit retirement plan.
- The member or the employer must provide verification of employment as required by KRS.

Most purchase types require the member to be participating and vested in KERS, CERS, or SPRS at the time the purchase is made. In order to be vested, a member under the age of 65 must have at least 60 months of service credit while a member over the age of 65 must have at least 48 months of service.

Retirees or members who are not contributing to one of the state administered retirement systems cannot purchase service credit unless the type is omitted. Retirees who have returned to work since August 1, 1998 and are contributing to a new retirement account cannot purchase service they were eligible to purchase prior to their initial retirement.

CALCULATING SERVICE PURCHASES For almost all purchase types, the cost is determined by multiplying the higher of the member's current rate of pay, final rate of pay, or final compensation by the actuarial factor by the number of years of service being purchased.

The actuarial factor used to calculate the cost varies based upon your age, years of accrued service credit, applicable benefit factor, and eligibility for final compensation. The factor assumes the earliest retirement date the member may retire with no reduction in benefits.

Purchases not calculated under this method include Recontribution of Refunded Service, Hazardous Conversions, and Omitted Service.

Most service purchases made on or after August 1, 2004 will not be used to determine insurance benefits at retirement. This provision applies to all service purchases made by the member or employer with the exception of omitted service, recontribution of refunded service, hazardous conversion and sick leave credit.

LOGIN 

Use our self service website to view a cost calculation online.



Refer to the list of required verification on pages 15-17

PURCHASE TYPES

The following is a listing of most service purchase types and the information required to verify the period of service.

PURCHASE TYPES WITHOUT SERVICE REQUIREMENTS

VERIFICATION REQUIRED

Recontribution of Refund

A member currently participating in one of the state administered retirement systems who has taken a refund of retirement contributions for previous employment may regain the service lost by paying the amount of contributions withdrawn plus interest calculated from the time of withdrawal. The purchase does not reinstate the original participation date from that service. Note: The member must work for at least six months to validate the purchase.

Information should be on file at KRS.

Summer Months

A member currently participating in one of the state administered retirement systems who was contracted by a local school board, university, community action agency, or school for the deaf or blind to work 9, 10, or 11 months may purchase up to three (3) additional months to complete a full year.

Information should be on file at KRS.

Omitted Service

If a member was entitled to service credit but was not reported to KRS, the member may obtain service by paying the employee contributions on the period of omitted service. If employee contributions are not received within six (6) months of notification by KRS, a participating member may obtain the service by paying the employee contributions plus any accumulated interest. Service credit will not be awarded to the member's account until KRS has also received the employer contributions.

Form 4225
— or —
Personnel Forms

Hazardous Conversion

Members participating in hazardous positions may pay the cost to convert eligible non-hazardous service to hazardous service. The service credit must be in a position that was reported to KRS under non-hazardous coverage, but has since been approved for hazardous duty coverage by the Board of Trustees. The agency where the non-hazardous service was earned must complete a Form 4150, Certification of Employment in a Hazardous Position, in order for the member to convert the service.

Form 4150

VESTED PURCHASE TYPES

VERIFICATION REQUIRED

In order to be vested, a member under the age of 65 must have at least 60 months of service credit while a member over the age of 65 must have at least 48 months of service.

Delayed Service

A member may purchase service with an agency that did not participate in KRS but has since joined. Delayed Service (also referred to as past service) is service worked prior to the date the agency began participating or in the case of a member who initially rejected membership, service worked from the member's hire date through his or her election to participate in KRS.

Form 4225
— or —
Personnel Forms or a letter from the agency verifying the period of service.

Active Duty Military

A member may purchase all periods of active duty service with a branch of the Armed Forces. This purchase may require an honorable or general discharge from service.

A copy of your DD-Form 214 for each period of active duty.

Historical note: Prior to August 1, 2000, a member could purchase up to 4 years of active duty military service. Effective August 1, 2000, the statute provided that all periods of active duty service may be purchased.

National Guard/Reserves

A member may purchase one (1) month of credit for every six (6) months served.

Most recent Annual Statement of Points.

Maternity/Authorized Sick Leave Without Pay/FMLA leave

A member may purchase service credit for official maternity leave without pay, approved sick leave without pay, or approved leave without pay under the Family Medical Leave Act (FMLA) that occurred while working for a participating agency.

Form 4225
— or —
Personnel Forms or a letter from the agency verifying the period of leave

VESTED PURCHASE TYPES CONTINUED**VERIFICATION REQUIRED****Seasonal, Temporary, Emergency, Interim or Part-time**

A member may purchase service for time served in a seasonal, temporary, interim, emergency, or part-time position (more than 100 hours per month) that occurred with a participating agency.

Form 4225
— or —
Personnel Forms

State University Service

A member may purchase service for certain types of employment with Kentucky's state sponsored universities provided they did not participate in a defined benefit plan or defined contribution plan during employment and the position held would have qualified as a regular full-time position had the university been participating. This purchase is limited to the University of Kentucky and the University of Louisville since other state-sponsored universities participate in KERS.

Form 4120

Approved Educational Leave

A member may purchase service credit for approved educational leave.

Personnel Forms
— or —
Letter from agency verifying
the period of leave.

Federal Service

A member may purchase service worked as a full time federal employee provided the member withdrew all funds or did not participate in the Federal Retirement System.

Form 4115

Out of State Service (Non-Hazardous)

A member may purchase up to 10 years of service credit for full-time out-of-state public service. To qualify, the out-of-state service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must provide verification that he or she has received a refund or is not eligible for a retirement benefit from the period of out-of-state service.

Form 4140

Out of State Service (Hazardous)

A member may purchase up to 10 years of service credit for full-time out-of-state public service if the position would be determined as hazardous duty. To qualify, the out-of-state service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must show that he or she has received a refund or is not eligible for a retirement benefit from the period of out of state service. The member must also submit a copy of the job description for his or her out of state public service.

Form 4140 and a copy of the
former job description.

Vocational/Technical School Service

A member may purchase service worked in a non-teaching position with a Vocational/ Technical School in the state of Kentucky that averages at least 80 hours per month on a calendar or fiscal year basis.

Form 4225
— or —
Personnel Forms

Community Action Agency

A member may purchase service for regular full-time employment with a Community Action Agency created under Kentucky Revised Statute 273.405 to 273.453 if that service was not covered by a state-administered retirement system.

Form 4225
— or —
Letter from agency verifying
period of service.

Mental Health Mental Retardation Service

A member may purchase service for employment in a regional community mental health and mental retardation services program, organized and operated under the provisions of Kentucky Revised Statute 210.370 and 210.480, which does not participate in a state-administered retirement system.

Form 4225
— or —
Letter from agency verifying
period of service.

Approved Leave to Work for Work-Related Labor Organization

A member may purchase service credit for periods of approved leave to work for a work-related labor organization provided that the agency approving the leave subsequently participated in CERS.

Letter from the IRS or U.S.
Department of Labor stating
that the purchase is allowable
under federal restrictions.

Area Development District/Business Development Corporation

A member may purchase service for employment with an Area Development District (ADD) created pursuant to Kentucky Revised Statute 147A.050 or a business development corporation created pursuant to Kentucky Revised Statute 155.001 to 155.230 which does not participate in KRS.

Letter from the IRS or U.S. Department of Labor stating that the purchase is allowable under federal restrictions.

Urban-County Government Service


A hazardous member may purchase service credit with an urban-county government. To qualify, the employment must have been considered regular full-time and qualify for hazardous duty coverage under Kentucky Revised Statute 61.592. The member must show that he or she has received a refund or is not eligible for a retirement benefit for the period of urban-county government service.

Form 4131

Non-Qualified Service

Members currently participating and who participated prior to August 1, 2002, may purchase up to five (5) years of service once they have 15 years of total service in a state administered retirement system. At least five (5) of the 15 years required for this purchase type must be in KERS, CERS, or SPRS. The Non-Qualified Service may not be used for benefit purposes until the member has accrued 20 years of service, excluding the Non-Qualified Service.

Information should be on file at KRS



Internal Revenue Code Section 415(c) provisions require that payment for non-qualified service MUST BE WITH PRE-TAX MONIES. See the following page for more information on paying for a service purchase.

NOTES

PAYING FOR A SERVICE PURCHASE



Eligible service credit may be purchased by the following payment methods provided it falls within the limitations set forth in Section 415 of the Internal Revenue Code.

LUMP SUM PAYMENT Service may be purchased by making a lump sum payment to KRS. Federal law limits the use of post-tax money to purchase service with a lump-sum payment (see following section on provisions affecting service purchases).

INSTALLMENT PURCHASE OF SERVICE AGREEMENT (IPS)

Members may elect to have the service purchase cost deducted from their paycheck on a pre-tax or post-tax basis provided the employer has arranged to make installment deductions with KRS. To be eligible for payroll deduction, the cost must be at least \$1,000. One year of installment payments is allowed for each \$1,000 in cost with a maximum of five (5) years to pay off the cost. An interest charge compounded annually is applied to the cost with this payment method. The interest charge is equal to the actuarial rate in effect at time of purchase. More information on the pre-tax IPS and provisions affecting service purchases is covered below.

ROLLOVER OR TRANSFER FROM A QUALIFIED PLAN The Internal Revenue Code allows KERS, CERS, and SPRS, which are qualified plans under Section 401(a), to accept rollovers or, in some cases, trustee-to-trustee transfers from other qualified plans like: Section 401(a), Section 401(k), Section 403(b), Section 457, "Rollover" IRA, Traditional IRA.

In order to complete a direct rollover or transfer of funds from another qualified plan to purchase service with KRS, the member and the financial institution making the direct rollover or transfer of funds must complete a Form 4170, Direct Transfer/Rollover Authorization. A copy of this form can be requested from KRS or can be downloaded from <https://kyret.ky.gov>.

A combination of these methods may be used to pay for some service purchases. Members who wish to combine two or more payment methods, or transfer/rollover funds from more than one plan, are advised to contact KRS in advance.

MORE ABOUT THE PRE-TAX IPS This payment option allows members to purchase service credit with pre-tax contributions, which reduces their taxable income in the year the contributions are made. This option does not eliminate taxes but rather defers tax liability until retirement. Often at retirement, a person will be in a lower tax bracket, which can reduce the amount of taxes paid.

The pre-tax IPS resembles the post-tax IPS with one major exception. All payroll deductions under the pre-tax IPS program shall be irrevocable once a member has completed the necessary forms. This means a member cannot stop payment on the contract or pay off the remaining balance except upon death or termination of employment.



NOTE: To be eligible for payroll deduction, the purchase cost must be at least \$1,000.00.

NOTE: Members should check with the administrator of their qualified plans to determine the eligibility of funds for rollover or transfer. Certain funds may not be able to be used for certain purchases.



You cannot stop payment or pay off a **pre-tax** IPS agreement while you are actively employed with a participating agency.

STOP PAYMENT/PAY OFF AN IPS CONTRACT While working, members who are purchasing service credit through a post-tax IPS can stop payment or pay off the remaining balance or a portion of the remaining principal of the contract at any time by notifying KRS and may request a recalculation if payment is stopped. If the member stops payment and does not pay off the IPS contract, the account will only be credited with the service purchased through the last installment payment.

Upon termination of employment or death, a member or beneficiary will be given 60 days from termination or death to pay off the remaining balance of a pre-tax or post-tax IPS. If the member or beneficiary chooses not to pay off the remaining balance, the account will only be credited with the amount of service purchased through the last installment payment.

Members planning to retire will also be given 60 days from termination of employment to pay off a pre-tax or post-tax IPS; however, payments for the remaining balance of the contract must be received prior to the member's effective retirement date.

PROVISIONS AFFECTING SERVICE PURCHASES KRS only accepts after tax monies for: repayment of refunds, omitted service and grandfathered service purchases. ***In order to be considered a grandfathered service purchase:***

- The member must have participated prior to July 1, 1999,
- The purchase type must have been available for purchase on August 5, 1997, and
- The member must participate in the system in which the purchase is being made.

This approach assures compliance with IRC 415(c) limits and avoids any impact on other retirement funds held by the member.

KRS members are encouraged to use pre-tax service purchase installment payments, rollovers, transfers from other plans, and transfers from 401(k) or 457(b) plans (for example, Kentucky Deferred Compensation) and from 403(b) plans (for example, a tax sheltered annuity at a school district) to fund service purchases.

Under this approach, members are using pre-tax contributions to buy service, just as pre-tax payroll contributions are used for KRS retirement benefits. The 415(c) limits do not apply to in-service transfers from 401(k), 457(b), or 403 (b) plans for service purchases. KRS has obtained IRS approval for this program.

KRS provides information on the use of pre-tax or post-tax monies for a purchase when a cost calculation is sent to the member for a service purchase.

ACTIVE MILITARY SERVICE

A member may be entitled to receive free military service if the member was on leave of absence from employment with a participating employer, and within three (3) months of the last day of paid employment entered the Armed Forces of the United States, and subsequently returned to employment with a participating employer within two years of receiving an honorable discharge.

SERVICE WITH OTHER PLANS



Members with more than one retirement plan administered by the Commonwealth of Kentucky may be allowed to combine service to determine eligibility for benefits, total service credit and final compensation. Each system will pay a benefit based on the amount of service in that system.

The six (6) state-administered retirement systems are:

- Kentucky Employees Retirement System (KERS)
- County Employees Retirement System (CERS)
- State Police Retirement System (SPRS)
- Teachers' Retirement System (TRS)
- Judicial Retirement Plan (JRP)
- Legislators' Retirement Plan (LRP)

FOR EXAMPLE: John was employed with a local board of education in a classified position and accumulated 10 years of service in CERS. He is now employed with the same board of education as a teacher and has accumulated 17 years of service in TRS. John would be eligible to retire at any age with no reductions in his retirement benefits because he has accumulated a combined total of 27 years of service. John would receive a retirement benefit from CERS based upon his 10 years of service and a separate retirement benefit from TRS based on his 17 years of service.

In the example above, John would need to apply at each retirement system separately for retirement benefits.

If you have an account in more than one of these retirement systems, you should contact KRS to determine the benefits you may be entitled to receive upon retirement. In order to receive benefits from all the systems, you must submit the required retirement forms to each system at the time of retirement.

Also, vested service in a retirement system other than the Teachers' Retirement System sponsored by the Kentucky Higher Education Assistance Authority, Council on Postsecondary Education, or a state-sponsored university in Kentucky, may apply toward attaining 25 years of service credit for reduced retirement benefits or 27 years service credit for unreduced retirement benefits. You must have 15 years current service in KRS. This service is not used in determining the monthly benefit you will receive at retirement. In addition, the service does not apply toward vesting for medical insurance benefits except for employees of the Council on Postsecondary Education who meet certain criteria specified by statute.

NOTES

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RETIREMENT ELIGIBILITY

Retirement eligibility is dependent upon the member's age, service credit, participation date and type of service (non-hazardous or hazardous).





TIER 1 -

PARTICIPATION PRIOR TO 9/1/2008

Non-Hazardous members

The requirements for an Unreduced Benefit are:

- A non-hazardous member, age 65 or older, with at least 1 month of service credit may elect to receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest.
- A non-hazardous member, age 65 or older, with at least 48 months of service credit is eligible to receive an unreduced monthly benefit for life based on the member's salary and service credit.
- A non-hazardous member with 27 or more years of service credit can retire at any time with no reduction in benefits regardless of age.

The requirements for a Reduced Benefit are:

- A non-hazardous member with at least 25, but less than 27 years of service credit, may retire at any time, regardless of age, with a reduction in benefits.
- A non-hazardous member, age 55, with at least five (5) years of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement. The chart on page 25 shows the reduction for age or service.

Hazardous members

The requirements for an Unreduced Benefit are:

- A hazardous member with 20 or more years of service credit may retire with no reduction in benefits regardless of age.
- A hazardous member, age 55 or older, with at least 1 month of hazardous duty service credit may elect to receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest.
- A hazardous member, age 55 or older, with at least 60 months hazardous duty service credit is eligible to receive an unreduced benefit based on the member's salary and service.

The requirements for a Reduced Benefit are:

- A hazardous member, age 50 with at least 15 years of service credit may retire with a reduction in benefits.

If a hazardous duty member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement. The chart on page 25 shows reductions for age or service.



**Calculate your
benefit estimate
on our self service
website**



TIER 2 -

PARTICIPATION ON OR AFTER 9/1/2008 to 12/31/2013

Retirement Eligibility

Non-Hazardous Members

The requirements for an Unreduced Benefit are:

- A non-hazardous member, age 57 or older, may retire with no reduction in benefits if the members age and years of service equal 87.
- A non-hazardous member, age 65, with at least 60 months of service credit may retire at any time with no reduction in benefits.

The requirements for a Reduced Benefit are:

- A non-hazardous member, age 60 or older, with at least 10 years (120 months) of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement. The reduction amount is the same for all members, regardless of participation date.

The chart on page 25 shows reductions for age or service.

Hazardous Members

The requirements for an Unreduced Benefit are:

- A hazardous member with 25 or more years of service may retire at any time with no reduction in benefits.
- A hazardous member, age 60 or older, with at least 60 months of service credit may retire at any time with no reduction in benefits.

The requirements for a Reduced Benefit are:

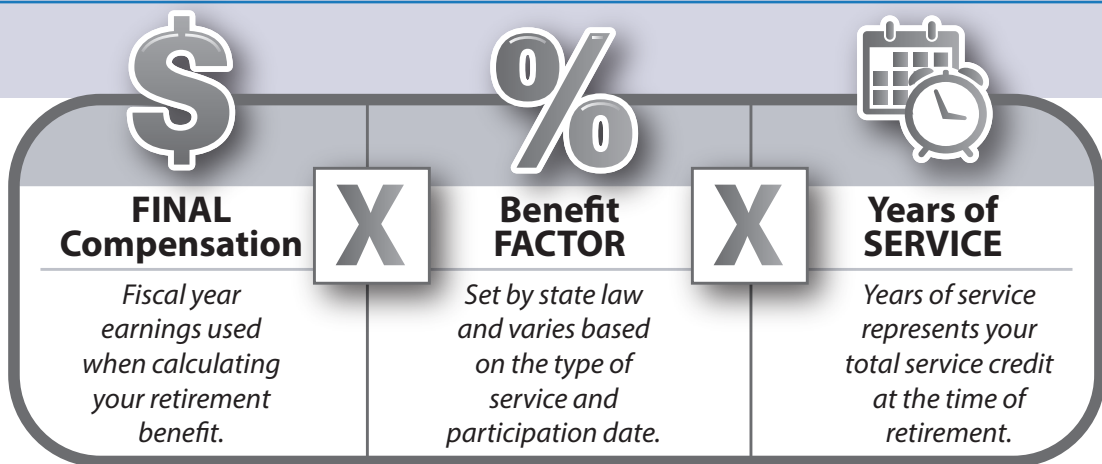
- A hazardous member, age 50 or older, with at least 15 years (180 months) of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement. The reduction amount is the same for all members, regardless of participation date.

The chart on page 25 shows reductions for age or service.



CALCULATING YOUR BENEFIT FOR TIERS 1 & 2



When a member is eligible to retire, the benefit is calculated based on a formula:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service} = \text{Yearly Benefit.}$$

If you are figuring a Reduced Benefit, multiply Yearly Benefit X percentage from the chart below.

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service} = \text{Yearly Benefit} \times \text{Early Retirement Factor.}$$

Retirement examples showing how to calculate your benefits are on pages 27-32.

REDUCED BENEFIT CHART Years from an unreduced retirement			
Year	Early Retirement Factor	Year	Early Retirement Factor
1	93.5%	6	63%
2	87%	7	58.5%
3	80.5%	8	54%
4	74%	9	49.5%
5	67.5%	10	45%

Tier 1 Examples:

A non-hazardous member has 25 years of service and is age 55. If the member chooses to retire, his/her benefit will be reduced to 87% (6.5% for each year away from 27 years of service).

A hazardous member has 18 years of service and is age 52. If the member chooses to retire, his/her benefit will be reduced to 87% (6.5% for each year away from 20 years of service).

Tier 2 Examples:

A non-hazardous member has 10 years of service and is age 60. If the member chooses to retire, the benefit will be reduced to 67.5% because the member is 5 years short of reaching age 65.

A hazardous member has 22 years of service and is age 55. If he chooses to retire, the benefit will be reduced to 80.5% because the member is 3 years away from 25 years service.





BENEFIT FACTOR

Benefit factors are set by state law and vary based on the type of service and participation date. The benefit factors shown below apply to Tier 1 members.

Benefit Factor %	
KERS Non-Haz (1)	1.97%
If member does not have 13 months credit for 1/1/1998-1/1/1999	
KERS Non-Haz (2)	2.00%
If member has 13 months credit for 1/1/1998-1/1/1999	
KERS Haz	2.49%
Only approved hazardous duty positions are eligible.	
CERS Non-Haz (1)	2.00%
If member began participating on or after 8/1/2004 and before 9/1/2008	
CERS Non-Haz (2)	2.20%
If member began participating prior to 8/1/2004	
CERS Haz	2.50%
Only approved hazardous duty positions are eligible.	
SPRS	2.50%



FINAL COMPENSATION

For Tier 1 members, final compensation, or salary average, is determined by dividing the total salary earned (5-High or 3-High) by the total months worked and then multiplying by twelve to annualize.

NON-HAZARDOUS MEMBERS

Non-Hazardous retirement benefits are based on 5 HIGHEST years of final compensation. When final compensation is based on the 5-High, it must include at least 48 months and a minimum of 5 fiscal years. Partial fiscal years can be included.

The example below walks you through the final compensation calculation.

Fiscal Year	5-High	Months
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
Total	\$119,805	49
$\$119,805 / 49 \text{ months} \times 12 = \$29,340$		

HAZARDOUS MEMBERS

Hazardous retirement benefits are based on 3-HIGHEST years of final compensation. A 3-High final compensation must include at least 24 months and a minimum of three fiscal years. Partial fiscal years can be included.

The example below walks you through the final compensation calculation.

Fiscal Year	5-High	Months
Year 1	\$4,000	1
Year 2	\$46,000	12
Year 3	\$44,000	12
Total	\$94,000	25
$\$94,000 / 25 \text{ months} \times 12 = \$45,120$		

Usually, a Tier 1 member's final compensation can be increased if termination of employment is timed so that it occurs in the early part of a new fiscal year (as opposed to terminating employment at the end of a fiscal year). KRS' fiscal year begins July 1 and ends June 30. A retirement date of August 1 or September 1 may be an appropriate time to retire because of the effect on final compensation.

MEMBERS WITH BOTH Non-Hazardous & Hazardous Service

A member who has hazardous and non-hazardous service will receive two monthly benefits upon retirement: one for the hazardous service and one for the non-hazardous service. In this situation, a member will have 5-High final compensation for the non-hazardous service and 3-High final compensation for the hazardous service.



TIER 1 EXAMPLE - Non-Hazardous

For example: John Doe is a Non-Hazardous CERS member and is planning to retire August 1st with 27 years of service.

JOHN Doe

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
$\$119,805 \div 49 \times 12$ $= \$29,340 \text{ per year}$		

FINAL Compensation

Name: JOHN Doe

System: CERS Non-Hazardous

Participation Date: August 1, 1996

Retirement Date: August 1, 2023

2.2%



Benefit FACTOR

Current Service 27 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 27 years



Years of SERVICE

\$17,427.96
per year
(\$1,452.33
per month)



The retirement formula is: **Final Compensation** multiplied by **Benefit Factor** (%) multiplied by **Years of Service** equals **Yearly Benefit**.

In John's case, retirement benefit totals \$17,427.96 per year.

The value produced by the retirement formula is divided by twelve to get a monthly payment.

$\$17,427.96 \div 12 \text{ months} = \$1,452.33 \text{ per month}$ under the Basic payment option.

NOTES



TIER 1 EXAMPLE - Hazardous

For example: Jane Doe is a Hazardous KERS member and is planning to retire August 1st with 20 years of Service Credit.

JANE Doe

HIGH 3		
YEAR	PAY	# MONTHS
Year 1	\$4,000	1
Year 2	\$46,000	12
Year 3	\$44,000	12
$\frac{\$94,000}{25} \times 12 = \$45,120 \text{ per year}$		

FINAL Compensation

Name: JANE Doe System: KERS Hazardous
 Participation Date: August 1, 2003 Retirement Date: August 1, 2023



2.49%



Current Service 20 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 20 years



\$22,469.76
per year
(\$1,872.48
per month)

Years of SERVICE



The retirement formula is: **Final Compensation** multiplied by **Benefit Factor** (%) multiplied by **Years of Service** equals **Yearly Benefit**.

In Jane's case, her retirement benefit totals \$22,469.76 per year.

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic Option.

$\$22,469.76 \div 12 \text{ months} = \$1,872.48 \text{ per month}$ under the Basic payment option.

*TIMING YOUR RETIREMENT

Usually, a member's final compensation can be increased if termination of employment is timed so that it occurs in the early part of a new fiscal year (as opposed to terminating employment at the end of a fiscal year). KRS' fiscal year begins July 1 and ends June 30. A retirement date of August 1 or September 1 may be an appropriate time to retire because of the effect on final compensation.

Members approaching retirement should plan termination of employment so that the last day of employment is the last working day of the month. Otherwise, the member's final compensation might be reduced as a result of an individual's final month representing only a partial month's wages.

For both hazardous and non-hazardous service, the years used do not have to be full (12 month) years. The fiscal years do not have to be consecutive, although for most members, the last years of employment are generally the years of highest earnings.



BENEFIT FACTOR

Benefit factors are set by statute and vary depending upon the type of service, amount of service, participation date and the retirement date. Benefit factors are applied based on a tiered structure. Higher factors are attained as members reach specified levels of service.

BENEFIT FACTOR

Non-Hazardous

Service Credit

1.10%	≤120 months
1.30%	121 - 240 months
1.50%	241 - 312 months
1.75%	313 - 360 months
2.00%	≥ 361 months*

*The 2.00% benefit factor only applies to service credit in excess of 30 years.

Hazardous

1.30%	≤120 months
1.50%	121 - 240 months
2.25%	241 - 299 months
2.50%	≥ 300 months*

*If total service credit is 25 years or more, the 2.5% benefit factor applies to all service credit.



FINAL COMPENSATION

For Tier 2 members, final compensation, or salary average, is determined by dividing the total salary earned by the total months worked and then multiplying by twelve to annualize. **This is based on KRS fiscal years not calendar years.**

Final compensation is calculated by using the last 5 or highest 3 complete fiscal years. If member does not have 5/3 full fiscal years, partial years will be used to attain the 60 month minimum.

NON-HAZARDOUS MEMBERS

Final compensation is calculated by taking the average of the LAST (not highest) five full fiscal years of salary. Partial fiscal years will not be included unless the member does not have five full fiscal years. In this scenario, partial years would be used to fulfill the 60 month minimum in the calculation.

The example below walks you through the final compensation calculation.

Fiscal Year	LAST 5	Months
Year 1	\$46,000	12
Year 2	\$44,000	12
Year 3	\$42,000	12
Year 4	\$40,000	12
Year 5	\$38,500	12
Total	\$210,500	60
$\$210,500 / 60 \text{ months} \times 12$ $= \$42,100$		

HAZARDOUS MEMBERS

Final compensation is calculated by taking the average of the HIGHEST three full fiscal years of salary. Partial fiscal years will not be included unless the member does not have three full fiscal years. In this scenario, partial years would be used to fulfill the 36 month minimum in the calculation.

The example below walks you through the final compensation calculation.

Fiscal Year	HIGH 3	Months
Year 1	\$46,000	12
Year 2	\$44,000	12
Year 3	\$42,000	12
Total	\$132,000	36
$\$132,000 / 36 \text{ months} \times 12$ $= \$44,000$		

MEMBERS WITH BOTH Non-Hazardous & Hazardous Service

A member who has hazardous and non-hazardous service will receive two monthly benefits upon retirement: one for the hazardous service and one for the non-hazardous service. In this situation, a member will have Last 5 final compensation for the non-hazardous service and 3-High final compensation for the hazardous service.



TIER 2 EXAMPLE *Non-Hazardous*

For example: James Doe is retiring with 30 years of non-hazardous service at age 57 with a \$42,100 final compensation.

JAMES Doe

LAST 5

YEAR	PAY	# MONTHS
Year 1	\$46,000	12
Year 2	\$44,000	12
Year 3	\$42,000	12
Year 4	\$40,000	12
Year 5	\$38,500	12

$$\frac{\$210,500}{60} \times 12 = \$42,100 \text{ per year}$$

FINAL Compensation

Name: JAMES Doe

System: KERS Non-Hazardous

Participation Date: January 1, 2009

Retirement Date: January 1, 2039

Current Service 30 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 30 years

175%

\$22,102.50
per year
(\$1,841.88
per month)

Benefit FACTOR

Years of SERVICE



The retirement formula is: **Final Compensation** multiplied by **Benefit Factor** (%) multiplied by **Years of Service** equals **Yearly Benefit**.

In James' case, his retirement benefit totals \$22,102.50 per year.

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic Option.

$\$22,102.50 \div 12 \text{ months} = \$1,841.88 \text{ per month}$ under the Basic payment option.

NOTES



TIER 2 EXAMPLE *School Board Non-Hazardous*

For example: Jessica Doe is a classified, school board employee and is contracted for 177 days. Based on her Actual Days Worked (ADW), she will be awarded 11 months of service (see chart below) for the year. Jessica is retiring with 30 years of non-hazardous service at age 57 with a \$10,964 final compensation.

JESSICA Doe

LAST 5		
YEAR	PAY	# MONTHS
Year 1	\$11,100	11
Year 2	\$10,500	11
Year 3	\$10,000	11
Year 4	\$9,900	11
Year 5	\$9,500	11
Year 6	\$9,300	11

$$\frac{\$60,300}{66} \times 12 = \$10,964 \text{ per year}$$

Name: JESSICA Doe System: KERS Non-Hazardous

Participation Date: January 1, 2009 Retirement Date: January 1, 2039

<div> <div>X</div> <div>1.75%</div> <div>X</div> </div> <p>Benefit FACTOR</p>	<div> <div>Current Service <u>30 years</u></div> <div>+ Purchased Service _____</div> <div>+ Sick Leave Service _____</div> <div>Years of SERVICE = <u>30 years</u></div> </div> <p>Years of SERVICE</p>	<div> <div>\$5,756.10</div> <div>per year</div> <div>(\$479.68</div> <div>per month)</div> </div> <p>Final Compensation</p>
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Note: The final compensation includes Year 6 to fulfill the 60 month minimum for the calculation.

The retirement formula is: **Final Compensation** multiplied by **Benefit Factor** (%) multiplied by **Years of Service** equals **Yearly Benefit**.

In Jessica's case, her retirement benefit totals \$5,756.10 per year.

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic Option.

$\$5,756.10 \div 12 \text{ months} = \479.68 per month under the Basic payment option.



Months Given Based on ADW		
22 days or less =	1 month	Must work at least 80 hours
23-37 days =	2 months	Starting month will be based on when the wages are actual reported and/or when member is appointed.
38-52 days =	3 months	
53-67 days =	4 months	
68-82 days =	5 months	
83-97 days =	6 months	
98-112 days =	7 months	
113-127 days =	8 months	September-May
128-142 days =	9 months	
143-157 days =	10 months	
158-179 days =	11 months	August-May
180 days or more =	12 months	August-June
		July-June

Members cannot be awarded service prior to their hire date or after their termination date. The hire/termination date will determine the service a member can earn in a year.



TIER 2 EXAMPLE- Hazardous

For example: Jerry Doe is retiring with 25 years of hazardous service at age 57.

JERRY Doe

HIGH 3

YEAR	PAY	# MONTHS
Year 1	\$42,000	12
Year 2	\$40,000	12
Year 3	\$38,500	12

$$\frac{\$120,500}{36} \times 12 = \$40,166 \text{ per year}$$

FINAL Compensation

Name: JERRY Doe

System: KERS Hazardous

Participation Date: January 1, 2009

Retirement Date: January 1, 2034

Current Service 25 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 25 years

2.5%

\$25,103.75
per year
(\$2,091.98
per month)

Benefit FACTOR

Years of SERVICE



The retirement formula is: **Final Compensation** multiplied by **Benefit Factor** (%) multiplied by **Years of Service** equals **Yearly Benefit**.

In Jerry's case, his retirement benefit totals \$25,103.75 per year.

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic Option.

$\$25,103.75 \div 12 \text{ months} = \$2,091.98$ per month under the Basic payment option.

NOTES

NOTES

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



MEMBER PENSION SPIKING

Senate Bill 104 (SB 104) was enacted within the 2017 General Assembly and commonly referred to as “Member Pension Spiking.”

SB 104 applies only to Tier 1 and Tier 2 members retiring on or after 1/1/2018.

SB 104 creates new pension spiking rules for members retiring on, or after, 1/1/2018 by reviewing the last five (5) fiscal years of employment. Any increase in excess of 10% from the immediately preceding fiscal year will be exempt from creditable compensation when calculating the member's retirement benefit, if the fiscal year is to be used in the member's final compensation. KRS will refund member contributions and interest attributable to the reduction in creditable compensation back to the employer. KRS will retain the employer contributions to offset the unfunded pension liability.

A member's final compensation will be adjusted unless the increase is due to one of the following exemptions:

1. Bona Fide promotion or career advancement;
2. Lump sum payout from compensatory time at termination only; **or**
3. Lump sum payout for alternate sick leave payments.
4. Increases in years where the member was on leave w/o pay in the prior fiscal year;
5. An increase due to overtime work and pay as the result of a state or federal grant, grant pass-through or a similar program that requires overtime as a condition or necessity of the employer's receipt of the grant.
6. An increase due to overtime work and pay required by a federal or state-declared emergency.

EXAMPLE:

Step 1: Evaluate the last five fiscal years

Last Fiscal Years	Creditable Compensation	Months of Service	Annualized	% Change	Spiking
Fiscal Year 5	\$18,750.00	12	\$18,750.00	0%	NO
Fiscal Year 4	\$18,695.00	12	\$18,695.00	14%	YES
Fiscal Year 3	\$16,333.25	12	\$16,333.25	8%	NO
Fiscal Year 2	\$15,152.33	12	\$15,152.33	-2%	NO
Fiscal Year 1	\$14,138.00	11	\$15,423.27	0%	NO

A spike is detected in the member's creditable compensation from Fiscal Year 3 to Fiscal Year 4 of 14%. SB 104 states the member's creditable compensation cannot exceed 10% from one year to the next. Fiscal Year 4 must be adjusted to reflect the 10% limit.

UNDERSTANDING THE CALCULATION

Last Fiscal Years	Creditable Compensation	Spiking	Revised Creditable Compensation Due to Spike	\$ Amount of Spike
Fiscal Year 4	\$18,695.00	YES	\$17,966.58	\$728.42
Fiscal Year 3	\$16,333.25	NO	\$16,333.25	\$0.00

Prior fiscal year with no spike \longrightarrow \$16,333.25
 Cannot be greater than 10% \longrightarrow $\times 1.10$
Revised creditable compensation \longrightarrow **\$17,966.58**

Last Fiscal Years	Creditable Compensation	Months of Service	Revised Creditable Compensation Due to Spike	\$ Amount of Spike
Fiscal Year 5	\$18,750.00	12	\$18,750.00	\$0.00
Fiscal Year 4	\$18,695.00	12	\$17,966.58	\$728.42
Fiscal Year 3	\$16,333.25	12	\$16,333.25	\$0.00
Fiscal Year 2	\$15,152.33	12	\$15,152.33	\$0.00
Fiscal Year 1	\$14,138.00	11	\$15,423.27	\$0.00

The revised creditable compensation due to the spike will be used in calculating the member's final retirement benefits.

Pension spiking may be detected in estimate requests and/or final retirement calculations.

If a benefit estimate calculated prior to retirement identifies a pension spike, a letter of explanation along with an additional estimate will be mailed to the member. The member will receive two benefit estimates for the same date; one with the pension spike and one without.

When a member applies for retirement, the account is always evaluated for pension spiking. Upon KRS' receipt of the Form 6000, Notification of Retirement, the member's account is audited and the final retirement paperwork is prepared and mailed to the member. If a spike is detected, the creditable compensation is automatically reduced to reflect the 10% limit and a letter of explanation is sent to the retiring employee. At this time, Form 6487, Request for Member Pension Spiking Exemption Amounts, is generated and sent to the employer to determine if the increase in wages is a true pension spike or if the additional monies are exempt.

If the increase in creditable compensation is exempt, KRS will recalculate the member's retirement benefits during the post-retirement audit and issue a retroactive payment for any money owed to the member due to the initial reduction.

If the increase in creditable compensation is not exempt, a refund of the member's contributions and interest attributable to the reduction in creditable compensation will be sent to the employer to withhold proper payroll taxes before disbursement to the member. The member will also receive a letter explaining all refunded amounts and how the money will be refunded.

MEMBER PENSION SPIKING - FAQ

Q: If I work for multiple participating employers, can this cause a pension spike?

A: Yes, creditable compensation reported to KRS by multiple employers is subject to the pension spiking statute.

Q: A compensation study was done at my office of employment and an increase was given due to the results. Is this exempt?

A: No. A bona fide promotion or career advancement is exempt but increases in pay due to a performance evaluation or compensation study is not.

Q: Part of my final compensation was earned with KERS and part with TRS. Will creditable compensation I earned with TRS be used to determine if a pension spike exists?

A: No, only creditable compensation from KERS, CERS, and SPRS are considered.

Q: What if a member has a spike from 2018-2019 to 2019-2020, but the member continued to work 10 more years at a lower salary? At retirement, 2018-2019 and 2019-2020 are used to determine the member's final compensation. Will this be considered a spike?

A: That is not considered a spike because only the last five fiscal years are evaluated to determine pension spiking.

Q: What if trailing wages cause a spike?

A: KRS may allow trailing wages based upon individual member accounts. The amount of the exemption is determined on a case-by-case basis at the time of retirement.

NOTES



RETIREMENT PAYMENT

Upon retirement, KRS provides various payment options so that a retiring member can select a monthly benefit option most suited to his or her particular retirement needs.



RETIREMENT PAYMENT OPTIONS

A member who is retiring should carefully review their payment options. No changes can be made to the payment option or the designated beneficiary of the retirement account after the first day of the month in which a member receives his first retirement allowance.

Each member planning to retire should also consider each option by assuming various contingencies and the likelihood of the contingencies occurring (e.g. the beneficiary dies before the member). Members should keep in mind that, for most payment options, an individual must be receiving a monthly retirement allowance to participate in the medical insurance program. This is particularly important if a spouse or any dependent children will need continued medical insurance coverage after the member's death.

Members should also be aware that if a non-spouse beneficiary is designated for the retirement account, certain payment options may not be available to the member. IRS regulations require that KRS perform a test on certain payment options to determine the age difference between a member and a non-spouse beneficiary.



Log in to our self service website to generate estimates naming different beneficiaries to determine if your payment options are impacted by the IRS rules.

BENEFICIARY DESIGNATION AT RETIREMENT

At the time of retirement, the member may name only one person, his or her estate, or a trust as beneficiary of the monthly retirement allowance. The retired member may not change this designation on or after the first day of the month in which the member receives the first retirement allowance.

If the beneficiary dies or divorces the retired member, state law provides that the member's estate becomes the beneficiary. An estate or trust cannot be eligible for a lifetime payment upon the death of a member.

NOTES

RETIREMENT PAYMENT OPTIONS

NOTE: Under the Basic option, the payment would stop upon the member's death.



NOTE: If a member selected Life with 10, 15, or 20 Years Certain and a trust or his estate is beneficiary, the trustee or estate shall receive a lump sum payment totaling the actuarial equivalent of the remaining payments.

BASIC OPTION This option provides a monthly benefit to the member until death. It does not provide any benefits to the beneficiary after the member's death. It provides the highest monthly lifetime benefit. If the member dies before receiving an amount equal to his or her account balance at the time of retirement, the beneficiary will receive the remaining account balance in a lump sum payment.

LIFE WITH 10 YEARS CERTAIN A member, less than age 76, may choose this option. This guarantees payments for a 120 month period, which begins when the member retires. If the member dies before 120 payments have been made, the beneficiary will receive the remaining payments. If the estate or a trust is the beneficiary, the estate or trustee shall receive a lump-sum payment which shall be the actuarial reduced equivalent to the remaining payments. If the member survives past the 120 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

LIFE WITH 15 YEARS CERTAIN A member, less than age 68, may choose this option. This guarantees payments over a 180 month period, which begins when the member retires. If the member dies before 180 payments have been made, the beneficiary will receive the remaining payments. If the estate or a trust is the beneficiary, the estate or trustee shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments. If the member survives past the 180 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

LIFE WITH 20 YEARS CERTAIN A member, less than age 62, may choose this option. This guarantees payments over a 240 month period, which begins when the member retires. If the member dies before 240 payments have been made, the beneficiary will receive the remaining payments. If the estate or a trust is the beneficiary, the estate or trustee shall receive a lump-sum payment, which shall be the actuarial equivalent to the remaining payments. If the member survives past the 240 month period, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

If the member dies before the 120, 180 or 240 month period ends and the beneficiary is receiving the benefit, the beneficiary's estate would be entitled to any remaining benefits if the beneficiary dies before all payments have been made.

SURVIVORSHIP 100% OPTION This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit until death.

SURVIVORSHIP 66 2/3% OPTION This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 66 2/3% of the member's monthly benefit until death.

SURVIVORSHIP 50% OPTION This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 50% of the member's monthly benefit until death.

POP-UP OPTION This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit until death; however, if the beneficiary dies before the member, the member's monthly benefit "Pops-Up," or increases, to the amount under the Basic Option. The member's benefit will also Pop-Up if the member's beneficiary is a spouse and they become divorced.

TEN YEAR CERTAIN OPTION This option is only available for SPRS members or KERS and CERS members in hazardous positions.

This option provides a monthly payment guaranteed for 120 months to the member, or if the member dies, to the beneficiary for the remainder of the 120 months. After the 120 month period, the member still retains the insurance benefit but is no longer eligible for any other benefits. This benefit pays a high monthly amount, but only for 10 years. After 10 years, this benefit ceases altogether and neither the member nor the beneficiary will receive further payments. In addition, after the end of the 10 years, there will be no \$5000 death benefit payment at the time of the member's death. Be especially careful when considering this payment option; there will be no income from this option after 10 years. If selecting this option, you may be subject to additional tax penalties.

SOCIAL SECURITY ADJUSTMENT OPTION (without survivor rights) A member less than age 62 may elect to take a larger monthly payment until reaching age 62, when they may be eligible for Social Security. The monthly benefit will be reduced the month following the member's 62nd birthday. This option allows the member to draw a larger benefit until age 62. This option does not affect the amount of Social Security that the member will receive. A beneficiary is not eligible for benefits if the member dies.

SOCIAL SECURITY ADJUSTMENT OPTION (with survivor rights) This provides the same benefits as the Social Security Adjustment Option Without Survivor Rights. In addition, it guarantees the same benefit to the beneficiary if the member dies. If the member dies before age 62, the beneficiary draws the higher payment until the member would have become age 62. Thereafter, the beneficiary will receive the same reduced monthly benefit that the member would have received.

ACTUARIAL EQUIVALENT REFUND OPTION This option provides a one-time lump sum payment to the member that is the actuarial equivalent of the amount the member would have received had his or her benefits been paid over 60 months. Be especially careful when considering this payment option. By selecting this option, the member forfeits health insurance benefits, the death benefit and any other KRS benefits. This is a retirement benefit, not a refund of the member's account. An individual electing this payment option cannot repay the actuarial refund if employed with a participating employer at a later date. If you select this option, you may be subject to additional tax penalties. You may wish to consult a tax advisor.



If the beneficiary is not receiving a monthly benefit upon the members death, the beneficiary cannot participate in the insurance program.



TIER 1 PAYMENT EXAMPLE

In the example below, John Doe works in a non-hazardous position for an agency participating and he is retiring August 1st with a final compensation of \$29,340 and 27 years of Service Credit.

The retirement formula is: **Final Compensation** multiplied by **Benefit Factor** (%) multiplied by **Years of Service** equals **Yearly Benefit**.

In John's case: $\$29,340 \times 2.2\% \times 27 \text{ years} = \$17,427.96$ per year

The value produced by the retirement formula is divided by twelve to get a monthly payment - $\$17,427.96 / 12 \text{ months} = \$1,452.33$ per month if he chose the Basic payment option. He has other options available to him. Below are examples of the payment options he can choose.



John Doe
The Social Security Options assumes John will receive a \$1,000 monthly benefit at age 62 from Social Security.

Payment Options	Member Payment	(or) Beneficiary Payment
Basic	\$1,452.33	\$0.00
Life with 10 years certain	\$1,432.19	\$1,432.19 (or) \$0.00
Life with 15 years certain	\$1,408.70	\$1,408.70 (or) \$0.00
Life with 20 years certain	\$1,378.87	\$1,378.87 (or) \$0.00
Survivorship 100%	\$1,321.32	\$1,321.32
Survivorship 66 2/3%	\$1,362.28	\$908.23
Survivorship 50%	\$1,383.73	\$691.87
Pop-Up Option	\$1,310.14 or Basic	\$1,310.14
Social Security Option Without Survivor Rights	Until Age 62 \$2,145.71	\$0.00
	Age 62 & After \$1,145.71	\$0.00
Social Security Option With Survivor Rights	Until Age 62 \$2,040.24	Until Age 62 \$2,040.24
	Age 62 & After \$1,040.24	Age 62 & After \$1,040.24

John Doe can also reject all monthly payment options and request an actuarial refund of approximately \$73,344.41.

NOTE: If a non-spouse beneficiary is selected at the time of retirement, certain payment options may not be available depending on the age difference between the member and the beneficiary.



REMEMBER
you cannot rename a beneficiary in retirement. If your designated beneficiary dies before you or if you divorce, consider what happens to the benefit payment.

TAX TREATMENT OF BENEFITS

FEDERAL INCOME TAX

Monthly benefits from KERS, CERS and SPRS are generally subject to federal income tax. If a member made contributions with post-tax dollars, then a portion of the monthly benefit will not be subject to federal income tax.

INCOME TAX WITHHOLDING

You have the option to choose your tax withholding preference. You may want to review your decision on withholdings periodically. From year-to-year, the amount of federal tax being withheld from your monthly benefit payments (if any) may change due to changes in the withholding tables provided by the IRS. Your original withholding choice will remain in effect until you file new tax withholding forms with KRS. You may contact the retirement office to request a copy of the form, you may download the form from our web site, or you may change your withholding election(s) for benefit payments online through the self service site. Your decision on income tax withholding is an important one, and you should discuss it with a qualified tax adviser.



Forms are available on the KRS website at <https://kyret.ky.gov>.

WITHHOLDING NOTICE TO MEMBERS RECEIVING BENEFIT PAYMENTS IN A FOREIGN COUNTRY

The Tax Reform Act of 1986 requires automatic withholding from benefit checks if you are a U.S. citizen receiving your benefits in a foreign country.

If you are not a U.S. citizen and are living in a foreign country, different income tax rules apply.

STATE INCOME TAX

All benefits attributable to service earned on or before December 31, 1997, are exempt from Kentucky income tax. The portion of the member's benefits earned January 1, 1998, and after is subject to Kentucky income tax; however, this income may be excludable up to a certain amount (see Schedule P in the Kentucky income tax forms for the exclusion amount and calculation). Retirement credit for unused sick leave is treated as being earned at the time of retirement.

Retirement income from all sources including KERS, CERS and SPRS benefits earned January 1, 1998 or after, as well as income from private pensions such as IRAs, Deferred Compensation and others may be excludable up to a certain amount.

IRA

Individual Retirement Account



As of August 1, 1982, all employee contributions are pre-tax deductions per Section 414(h) of the Internal Revenue Code.

KY STATE TAX EXAMPLE

FOR EXAMPLE: Jenny was employed by the state in 1989. She retired at the end of 2014 with 27 total years. Her KERS pension for the 2018 calendar year is \$30,000. She will also receive \$15,000 from Deferred Compensation. Her 2018 state tax computation is computed below.

1. Compute taxable pension income from KERS. Jenny earned 17 of her 27 years of service credit after January 1998 or 62.96%. Take this percentage and multiply by her annual benefit of \$30,000, the amount of her KERS benefit subject to state income taxes is \$18,888.00.

$$17 \text{ years} \div 27 \text{ years total} = 62.96\%$$
$$\$30,000 \times 62.96\% = \$18,888.00$$

2. Add taxable pension income from all sources:

KERS.....	\$18,888.00
Deferred Compensation.....	\$15,000.00
Total.....	\$33,888.00

3. Apply the exclusion: \$31,110 (pension exclusion)

4. Taxable pension income for KY income taxes: \$2,778.00



NOTE: The amounts shown in this example are based on a non-hazardous member's account and are meant only as an example.



The exclusion amount is subject to future Legislative changes.

NOTES

DIVORCE & RETIREMENT BENEFITS

IF YOU DIVORCE

You must notify KRS when you divorce if you have named your ex-spouse as beneficiary or have them covered by insurance through KRS. A final divorce decree voids the designation of a spouse as beneficiary and terminates the ex-spouse's eligibility as a dependent on health insurance coverage. If the divorce occurs after the first day of the month in which you receive your first payment, your estate becomes the beneficiary of the account. Your estate will not be entitled to payments under a survivorship payment option. You are not permitted to name a new beneficiary for monthly benefits.

If a Pop-Up option is selected at retirement, the member's benefit will "pop up" to the Basic option if the member's beneficiary is a spouse and they become divorced.

If the ex-spouse is enrolled in health insurance, they are not eligible to remain on the plan. You must submit a new health insurance application with your ex-spouse removed (or a signed written statement to completely cancel a plan) to KRS as soon as the divorce is final. A copy of the Dissolution of Marriage must be provided to KRS as soon as that is available. Hazardous duty retirees, failure to notify and provide proper documentation to KRS will require you to reimburse KRS premiums paid on behalf of an ex-spouse who is no longer eligible for insurance under your account.

In the event of remarriage to the former spouse who was the named beneficiary on the member's Form 6000, Notification of Retirement, the former spouse will be reinstated as beneficiary.

If the ex-spouse is the named beneficiary of the death benefit, the Form 6030, Death Benefit Designation, must be completed again following the date of divorce, or the estate will become the beneficiary of the payment when it is issued.

If the ex-spouse is enrolled in health insurance, they are not eligible to remain on the plan. You must submit a new health insurance application with your ex-spouse removed (or a written statement to completely cancel a plan) to KRS as soon as the divorce is final. A copy of the dissolution of Marriage must be provided to KRS as soon as that is available.

QUALIFIED DOMESTIC RELATIONS ORDERS

KRS accepts and enforces Qualified Domestic Relations Orders (QDROs) that are submitted in accordance with Kentucky Revised Statute 61.690 and Kentucky Administrative Regulation 105 KAR 1:190.

Download the appropriate form at <https://kyret.ky.gov> under our Forms section. QDROs will only be accepted if they are on the form incorporated by reference to the administrative regulation. KRS cannot accept any QDROs that are not on the form provided by KRS.

QDROs will only be administered prospectively and KRS will not be responsible for collecting any payments that are delinquent at the time KRS accepts the QDRO. Most QDRO documents have a filing fee.

QDROs that were accepted by KRS for enforcement prior to July 15, 2000, will not be affected by Kentucky Revised Statute 61.690 and no action is necessary for those orders to remain in effect.

The alternate payee of a QDRO is not eligible to enroll for health insurance coverage through KRS.



HAZARDOUS DUTY RETIREES:
Failure to notify and provide proper documentation to KRS will require you to reimburse KRS premiums paid on behalf of an ex-spouse who is no longer eligible for insurance under your account.

If you change your name, you must submit a copy of your new Social Security card, Medicare card, a marriage certificate, or a divorce decree along with a written request to change your name. Marriage and divorce are also qualifying events for the purposes of health insurance.

This image shows a full page of blank handwriting practice paper. It features 20 evenly spaced, horizontal blue lines running across the entire width of the page. The lines are thin and consistent in color, providing a guide for letter height and placement. There are no margins, text, or other markings on the paper.



Run your own benefit estimates easily in Self Service

<https://kyret.ky.gov>



STRATEGIES FOR YOUR RETIREMENT

There's a lot to consider when planning for retirement. Depending on a member's participation date, members may be able to increase their KRS benefits through one or more of the following options.



PURCHASE SERVICE CREDIT

Purchase service credit to increase total service credit

If you are eligible to purchase service credit, the additional service credit will be used to determine your benefits when you retire. If a member has worked 27 years and purchases 5 years of service, the member's benefit would be based on 32 years. To see how purchasing service credit can increase retirement benefits, consider the example below.

LOGIN 

Use our self service website to view a cost calculation online.



John Doe works in a non-hazardous position for an agency participating in CERS. He is retiring August 1st with a final compensation of \$29,340.00 and 27 years of service credit. Without purchasing any additional service credit, his benefit will be determined as follows:

See pages 15-17 for a listing of available service purchases.

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12

$\$119,805 \div 49 \times 12 = \$29,340$ per year

FINAL Compensation

JOHN Doe

Name: JOHN Doe System: CERS Non-Hazardous

Participation Date: August 1, 1996 Retirement Date: August 1, 2023

2.2%

X

27 years

X

27 years

=

Current Service 27 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 27 years

Years of SERVICE

\$17,427.96 per year

(\$1,452.33 per month)

If he purchases 5 years of service credit, his benefit will be determined as follows:

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12

$\$119,805 \div 49 \times 12 = \$29,340$ per year

FINAL Compensation

Name: JOHN Doe System: CERS Non-Hazardous

Participation Date: August 1, 1996 Retirement Date: August 1, 2023

2.2%

X

27 years

X

32 years

=

Current Service 27 years

+ Purchased Service 5 years

+ Sick Leave Service _____

Years of SERVICE = 32 years

Years of SERVICE

\$20,655.36 per year

(\$1,721.28 per month)

By purchasing the 5 years of service credit, John's annual benefit increased by **\$3,227.40**. On a monthly basis, John's benefit increased by **\$268.95**. John should carefully compare the cost of purchasing 5 years of service credit to the increased benefit amount.

ACCRUED SICK LEAVE

USING ACCRUED SICK LEAVE TO INCREASE TOTAL SERVICE CREDIT

Many members are eligible to receive service credit for unused accumulated sick leave upon retirement. Just like purchasing service credit, the additional service provided for unused accumulated sick leave will be used to determine your benefits when you retire. To see how the accumulation of unused sick leave can increase retirement benefits, consider the example below.



John Doe works in a non-hazardous position for an agency participating in CERS. The agency participates in the Standard sick leave program and pays the cost for converting all unused accumulated sick leave at retirement to additional service credit. He is retiring August 1st with a final compensation of \$29,340.00 and 27 years of service credit. If he does not have an accumulation of sick leave at retirement, his benefit will be determined as follows:

JOHN Doe

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12

$\$119,805 \div 49 \times 12 = \$29,340$ per year

Name: JOHN Doe System: CERS Non-Hazardous
Participation Date: August 1, 1996 Retirement Date: August 1, 2023

Current Service 27 years
+ Purchased Service _____
+ Sick Leave Service _____
Years of SERVICE = 27 years

2.2%

\$17,427.96 per year
(**\$1,452.33** per month)

FINAL Compensation **Benefit FACTOR** **Years of SERVICE**

If he has accumulated 6 months of sick leave at retirement, his benefit will be determined as follows:

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12

$\$119,805 \div 49 \times 12 = \$29,340$ per year

Name: JOHN Doe System: CERS Non-Hazardous
Participation Date: August 1, 1996 Retirement Date: August 1, 2023

Current Service 27 years
+ Purchased Service _____
+ Sick Leave Service .5 years
Years of SERVICE = 27.5 years

2.2%

\$17,750.70 per year
(**\$1,479.23** per month)

FINAL Compensation **Benefit FACTOR** **Years of SERVICE**

By having an unused accumulated sick leave balance of 6 months at the time of retirement, John's annual benefit increased by **\$322.74**. On a monthly basis, John's benefit increased by **\$26.90**.

COMPENSATORY TIME

NOTE: Compensatory time is not considered creditable compensation for members who began participating 9/1/08 or after.

NOTE: Payment for Compensatory time is issued by the employer not KRS.



USING ACCUMULATED COMPENSATORY TIME TO INCREASE FINAL COMPENSATION

Many KERS and SPRS members accrue compensatory time for hours worked in excess of their regular work schedule. At retirement, these members are paid a lump sum amount for their unused accumulated compensatory time balances. For Tier 1, this payment is considered creditable compensation and both member and employer contributions are paid on the lump sum payment for compensatory time. This payment is added into the last month's salary reported to KRS and may affect a member's final compensation calculation. To see how the accumulation of unused compensatory time can increase retirement benefits, consider the example below.

Joseph Doe works in a non-hazardous position for an agency in KERS and is Tier 1. He is planning to retire August 1st. At retirement, he has accrued 239 hours of compensatory time. Based upon a monthly rate of pay of \$3,500.00, he will receive a lump sum payment of \$5,163.58. This payment will be added into his last month of paid employment in July. His final compensation calculation with and without the lump sum payment for compensatory time is provided below.

If he did **NOT** have an accumulation of compensatory time at retirement, his benefit will be determined as follows:

JOSEPH Doe

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,500	1
Year 2	\$40,000	12
Year 3	\$38,000	12
Year 4	\$37,000	12
Year 5	\$35,360	12
$\frac{\$153,860}{49} \times 12 = \$37,680 \text{ per year}$		

Name: JOSEPH Doe

System: KERS Non-Hazardous

Participation Date: August 1, 1996

Retirement Date: August 1, 2023

X

2.00%

X

Current Service 27 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 27 years

=

\$20,347.20
per year
(\$1,695.60
per month)

FINAL Compensation

Benefit FACTOR

Years of SERVICE

If he has accumulated 239 hours of compensatory time at retirement, his benefit will be determined as follows:

NOTE: High-5 final compensation (with compensatory time payment of \$5,163.00 in July)

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$8,664	1
Year 2	\$40,000	12
Year 3	\$38,000	12
Year 4	\$37,000	12
Year 5	\$35,360	12
$\frac{\$159,024}{49} \times 12 = \$38,945 \text{ per year}$		

Name: JOSEPH Doe

System: KERS Non-Hazardous

Participation Date: August 1, 1996

Retirement Date: August 1, 2023

X

2.00%

X

Current Service 27 years

+ Purchased Service _____

+ Sick Leave Service _____

Years of SERVICE = 27 years

=

\$21,030.06
per year
(\$1,752.51
per month)

FINAL Compensation

Benefit FACTOR

Years of SERVICE

By having an unused accumulated compensatory time balance of 239 hours at the time of retirement, Joe's yearly benefit increased by **\$682.86**. On a monthly basis, Joe's benefit increased by **\$56.91**.

COMPARING RETIREMENT DATES



EXAMINE VARIOUS RETIREMENT DATES Members often question the best time of the year to retire. Ultimately, the decision is determined by your individual situation and needs. You may wish to consider how your final compensation could change if you work into a new fiscal year and retire August or later. To see how different retirement dates can affect a member's monthly benefit, consider the following example.

Judy Doe works in a non-hazardous position for an agency participating in KERS and is considering two retirement dates: June 1, 2023 and August 1, 2023. She will have 27 years of service if she retires in June and will accumulate 2 additional months of service credit if she retires in August.

Based on a final compensation of \$40,339 the retirement benefit for a **June 1st** retirement date is:

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$40,333	11
Year 2	\$42,000	12
Year 3	\$40,000	12
Year 4	\$39,000	12
Year 5	\$37,000	12

$\$198,333 \div 59 \times 12 = \$40,339 \text{ per year}$

Name: JUDY Doe System: CERS Non-Hazardous
 Participation Date: June 1, 1996 Retirement Date: June 1, 2023

Current Service 27 years
 + Purchased Service _____
 + Sick Leave Service _____
 Years of SERVICE = 27 years

2.0%

\$21,783.06 per year (\$1,815.26 per month)

FINAL Compensation **Benefit FACTOR** **Years of SERVICE**

If she retires in August, she will accrue two additional months of service credit and her final compensation will increase as she works into the new fiscal year. Final compensation would be calculated as shown below:

Based on a final compensation of \$41,388 the retirement benefit for an **August 1st** retirement date is:

HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$4,000	1
Year 2	\$44,000	12
Year 3	\$42,000	12
Year 4	\$40,000	12
Year 5	\$39,000	12

$\$169,000 \div 49 \times 12 = \$41,388 \text{ per year}$

Name: JUDY Doe System: CERS Non-Hazardous
 Participation Date: June 1, 1996 Retirement Date: August 1, 2023

Current Service 27.1667 years
 + Purchased Service _____
 + Sick Leave Service _____
 Years of SERVICE = 27.1667 years

2.0%

\$22,487.50 per year (\$1,873.96 per month)

FINAL Compensation **Benefit FACTOR** **Years of SERVICE**

By retiring in August and consequently increasing her final compensation, Judy's yearly benefit increased by **\$704.44**. On a monthly basis, Judy's benefit increased by **\$58.70**.

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal blue lines across its entire width. The lines are thin and consistent in color, set against a plain white background. There are no margins, text, or other markings present on the page.



Run your own benefit estimates easily in Self Service

<https://kyret.ky.gov>



MEDICAL INSURANCE

Insurance for retirees & beneficiaries

KRS provides group medical insurance for retired members. Participation in the insurance program may be waived at the time of retirement or during open enrollment. KRS provides access to group health insurance coverage through the Kentucky Employees Health Plan for recipients until they become eligible for Medicare. After a recipient becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by KRS.

In order to cover a spouse or dependent on a plan the retiree must also be enrolled and covered by a KRS plan. If a retiree waives coverage, the spouse and/or eligible dependents cannot be enrolled in the KRS Health Insurance plans.

Members enroll in the appropriate insurance plan upon retirement by completing the proper KRS Forms. (Note: if a waiver of health insurance coverage is not received by KRS, you will be defaulted into a health insurance plan at the single level of coverage). In order for insurance to be effective during the first month of retirement, all insurance forms and required documents must be filed with KRS the month before the first monthly benefit is issued. If insurance forms are filed at KRS during the month in which the first monthly benefit is issued, insurance will be effective the following month. After initial enrollment, members may only make changes to their coverage selections during the annual open enrollment period. Members who experience certain qualifying events may be eligible to make changes throughout the year.

For more information about turning 65 years old, visit <https://kyret.ky.gov/Members/Insurance/Pages/Qualifying-Events.aspx>



SUBMISSION DEADLINES FOR RETIRING MEMBERS

FORM 6200 INSURANCE COVERAGE

For insurance coverage to begin the same month as your retirement payment, you must file a Form 6200 with KRS by the last day of the month prior to the month you retire. If you miss the deadline, you will be defaulted into a health insurance plan at the single level of coverage and won't be able to change until the next Open Enrollment period unless you experience a qualifying event.

For example:

Retirement Date	Form 6200 Due By	Insurance Effective Date
May 1	April 30	May 1

If you miss the above deadline, you can still submit a Form 6200. Your Form 6200 must be filed with KRS by the last day of the month in which you retire.

For example:

Retirement Date	Form 6200 Due By	Insurance Effective Date
May 1	May 30	June 1

PLEASE REMEMBER

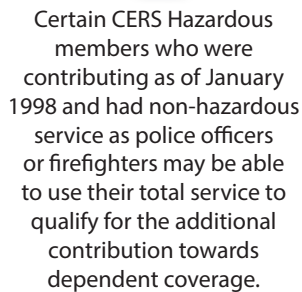
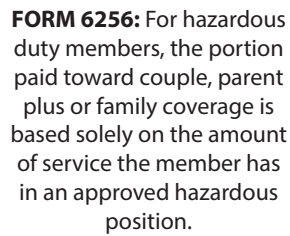
If you do not return a health insurance application either waiving coverage or selecting a plan, you will be defaulted into a health insurance plan.

- Your retirement can be effective without insurance coverage.
- You are responsible for filing your insurance application by the due date.
- Documentation for health insurance dependents/spouse is required.
- Waiting until the last minute to file an application will cause delays in receiving your insurance card and accessing benefits.



If you miss both deadlines or you are defaulted into a health insurance plan, you will not be allowed to change your health insurance plan until the next open enrollment period unless you experience a qualifying event.





If a retiring member chooses to waive insurance coverage through KRS, the contribution KRS would have paid toward insurance is forfeited and coverage through KRS cannot be obtained until the next annual open enrollment period unless a Qualifying Event occurs.

You may add or drop dependents outside of open enrollment only if you experience certain qualifying events. If you experience a Qualifying Event, it will be necessary to complete and return the proper form or a new application to the retirement office within the prescribed time period following the Qualifying Event. Contact the retirement office for the appropriate form in order to add or drop a dependent covered by your insurance.

If you failed to complete the insurance application(s) at the time you retired or began receiving benefits as a beneficiary, you will have the opportunity each year to enroll in health insurance coverage. You will be notified each year of the period during which you may make the election for health insurance coverage. Read the open enrollment information carefully because companies, types and amounts of coverage, and other requirements change frequently.

Unless you waive coverage, you will be defaulted into a plan and cannot change until open enrollment unless you experience a qualifying event.

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IF YOU OR YOUR DEPENDENTS BECOME ELIGIBLE FOR MEDICARE

If you or your eligible dependents become eligible for Medicare due to age or disability, you should contact KRS for information concerning health insurance options. The Medicare eligible individual and other covered individuals may be required to complete new applications. Anyone covered by a Medicare eligible plan through the retirement office should obtain both Parts A and B of Medicare through the Social Security Administration in order to have full medical insurance coverage. As soon as you know that you or an eligible dependent will become Medicare eligible, contact KRS to discuss your insurance options.

HEALTH INSURANCE FOR RETIRED RE-EMPLOYED MEMBERS

If the retiree is Tier 1 and is re-employed in a regular full-time position, the retiree may enroll in health insurance through his employer or through KRS. If the retiree enrolls in health insurance through KRS, his employer will be billed for the single contribution rate premium.

If the retiree is Tier 2 and is re-employed in a regular full-time position, the employee will not be eligible for health insurance coverage through KRS and will be required to take health insurance coverage through his employer during the period of re-employment.

MEDICARE SECONDARY PAYER

Please be advised that under the Medicare Secondary Payer (MSP) Act, in certain circumstances, a Medicare eligible retiree's reemployment with a participating agency of Kentucky Retirement Systems will **PROHIBIT** Kentucky Retirement Systems from offering or continuing to offer retiree coverage under the Humana Medicare Advantage Plan.



State law requires that the retiree and employer notify KRS if the retiree is going to accept employment with or volunteer for an agency participating in the Kentucky Retirement Systems, including working in a non-participating position, through a third party at a participating agency, or as an independent contractor.





Hazardous Duty Retirees with Health Insurance Dependents

You must file a FORM 6256 every year. You need to provide eligibility documentation for your dependent(s) if it is not already on file with KRS.

CHILD: If your dependent child is between the ages of 18 and 22, you will need to complete Form 6256. A birth certificate or other supporting documentation will be required if not on file.

SPOUSE: You will need to complete Form 6256. A marriage certificate or other supporting documentation will be required if not on file.

If you fail to notify KRS of changes in your dependent's eligibility (child AND spouse), you will BE REQUIRED TO REPAY any insurance benefits paid on behalf of the ineligible person.

You may continue to cover Hazardous Duty Dependents between the ages of 22 - 26 as they are eligible for coverage, but not eligible for the Premium Contribution. Retiree will be responsible for additional cost for coverage.

DEPENDENT ELIGIBILITY & VERIFICATION FOR HEALTH INSURANCE FOR HAZARDOUS DUTY RETIREES WITH HEALTH INSURANCE DEPENDENTS

DOCUMENT DEPENDENT'S ELIGIBILITY

When filing for retirement, you must complete an insurance application and provide documentation of your dependent's eligibility, such as your marriage certificate for your spouse or a birth certificate for your children.

DEPENDENTS AGED 18-22

If your dependent is a child between the ages of 18 and 22, you will also need to complete Form 6256 Designation of Spouse and/or Dependent Child for Health Insurance Certification of Dependent Eligibility. You will complete this form each year during open enrollment certifying that your dependent child continues to meet the eligibility requirements for this age group in order for KRS to verify eligibility for coverage and to verify eligibility for the health insurance contribution.

YOU MUST SUBMIT ALL REQUIRED FORMS AND DOCUMENTATION TO OUR OFFICE.

NOTE: *You may continue to cover Hazardous Duty Dependents between the ages 22-26 as they are eligible for coverage. A birth certificate, or other supporting documentation will be required. Hazardous Duty Dependents are not eligible for health insurance contribution after reaching age 22, but they are eligible for coverage and the Retiree will pay the cost of the health insurance premium.*

FIND ELIGIBILITY RULES

It is important that you know the eligibility rules for dependent coverage. Please visit our website at <https://kyret.ky.gov> and look for more information in the Retirees section.

PERCENTAGE CONTRIBUTION

Participation Date Prior to July 1, 2003



TIER 1 BENEFITS FOR HEALTH INSURANCE

Members participating prior to July 1, 2003

KRS pays a percentage of the monthly contribution rate for medical insurance coverage based on the retired member's years of service and type of service.

KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service (hazardous or non-hazardous).

Each year prior to the Open Enrollment period, KRS' Board of Trustees establishes the contribution rate for the following plan year. The monthly contribution rate is based on single coverage under the insurance plan approved by the KRS' Board of Trustees.

The percentage of the monthly contribution rate paid is shown below. For hazardous members, the portion paid toward couple, parent plus or family coverage is based solely on the amount of service the member has in an approved hazardous position.

Non-Hazardous Service	Member % of Contribution Rate Paid*	Hazardous Service	Member & Dependent % of Contribution Rate Paid*
Less than 4 years	0%	Less than 4 years	0%
4 - 9+ years	25%	4 - 9+ years	25%
10 - 14+ years	50%	10 - 14+ years	50%
15 - 19+ years	75%	15 - 19+ years	75%
20+ years	100%	20+ years	100%

*Benefits for In Line of Duty and Duty Related retirees and beneficiaries may be different. If these benefits apply to you, please contact our office for more information.

Did You Know?

In order for insurance to be effective during the first month of retirement, all insurance forms and required documents must be filed with KRS the month before the first monthly benefit is issued.

DOLLAR CONTRIBUTION

Members participating on or after July 1, 2003



TIER 1 BENEFITS FOR HEALTH INSURANCE

Members participating between July 1, 2003 and August 31, 2008

Eligibility for insurance benefits shall not be provided until the member has earned at least one hundred twenty (120) months of service in the state-administered retirement systems.



TIER 2 BENEFITS FOR HEALTH INSURANCE

Members participating on or after Sept 1, 2008

Eligibility for insurance benefits shall not be provided until the member has earned at least one hundred eighty (180) months of service in the state-administered retirement systems.

NON-HAZARDOUS MEMBERS whose participation began on or after July 1, 2003, will earn a monthly contribution for insurance of ten dollars (\$10) for each year of earned service.

HAZARDOUS DUTY MEMBERS whose participation began on or after July 1, 2003, will earn a monthly contribution for insurance of fifteen dollars (\$15) for each year of earned service in a hazardous position. Upon the retiree's death, the spouse of a hazardous duty member will receive a monthly insurance contribution of ten dollars (\$10) for each year of hazardous duty provided the spouse is designated as beneficiary and remains eligible for monthly benefits upon the retired member's death.

The monthly insurance contribution will be increased July 1 each year by 1.5%. The annual increase shall be cumulative and shall continue to accrue after the member's retirement for as long as a monthly insurance contribution is payable to the retired member or beneficiary.

NONHAZARDOUS EXAMPLE

**Monthly Health Premium
- \$10 x Full Years of Service**

Your Monthly Cost

HAZARDOUS EXAMPLE

**Monthly Health Premium
- \$15 x Full Years of Service**

Your Monthly Cost

[illegible]

<https://kyret.ky.gov>



RETIREMENT & RE-EMPLOYMENT

A member considering retirement within the next two years should obtain an estimate of retirement benefits. This estimate can be helpful in determining post-retirement income.

KRS provides benefits counseling and the retirement office is open Monday through Friday from 8:00 am to 4:30 PM Eastern time. Appointments are required.

If you will be eligible for Social Security at the time of retirement, you may want to contact your local Social Security Administration office at least 90 days before the anticipated retirement date. Social Security benefits and requirements differ from those of KRS. If you will be eligible for Medicare at retirement, it is advisable to contact the Social Security office even earlier. Medicare-eligible retirees must present a copy of their Medicare card if they are applying for Medicare-eligible insurance coverage. If you are considering a service purchase, you should allow several months to obtain any documentation on the service. In almost every case, the service must be purchased prior to termination and while a contributing member.

Please be advised that under Medicare Secondary Payer (MSP) Act, in certain circumstances, a Medicare eligible retiree's re-employment with a participating agency of KRS will PROHIBIT KRS from offering or continuing to offer retiree coverage under the Medicare plans.



WHEN TO FILE FOR BENEFITS

About 45 to 60 days before your retirement date, you should complete the Form 6000, Notification of Retirement, and return it to KRS. You may file the Notification of Retirement up to six (6) months prior to your retirement date. Once you file, the beneficiary on your Notification of Retirement supersedes all previous designations. The estate of the recipient would become the beneficiary if both you and the beneficiary on your Notification of Retirement should die.



EXCEPTION: If the Form 6000 is withdrawn, invalid, or voided, the prior beneficiary designation on file with KRS is reinstated until changed by the member.

You must include either a copy of your birth certificate or a driver's license with the form if you have not previously provided a copy to the KRS office. A copy of the birth certificate or Kentucky driver's license is also required if you name a person as beneficiary.

Your employer must complete the employer certification (Section H) of Form 6000 in order for KRS to include future salary, service, sick, and compensatory leave balances in your estimated retirement allowance.

AFTER YOU FILE FORM 6000

After processing the Form 6000 KRS will mail a Form 6010, Estimated Retirement Allowance, and other information including Form 6200 for insurance coverage.

Only one payment option may be selected on the Form 6010. The member's signature and date is required along with a signature from a spouse or witness.

If you elect to receive an actuarial or lump sum refund, complete and return the Form 6010 and Form 6025, Direct Rollover/Direct Payment Election. We require additional verification from your employer before we can process a refund which may delay your check. Retirement refunds are paid through a different timeline than the monthly checks and will not be issued prior to 45 days after termination.

All forms and required documentation must be filed with our office by the last day of the month prior to your effective retirement date. If you will be receiving a monthly payment, you may be eligible for health insurance coverage for you, your spouse, and eligible dependents. The insurance application is not required in order to process your retirement benefit. However, unless you waive coverage, you will be defaulted into a health insurance plan at the single level of coverage. See page 54.

LOGIN 

Log in to our self service website to generate a benefit estimate.

Find forms on the KRS website at
<https://kyret.ky.gov>



If you are coming to KRS to discuss retiring, submit Form 6000 (Notification of Retirement) in advance.

If you change your name, you must submit a copy of your new Social Security card, Medicare card, a marriage certificate, or a divorce decree along with a written request to change your name. Marriage and divorce are also qualifying events for the purposes of health insurance.

BENEFICIARY DESIGNATION AT RETIREMENT

At the time of retirement, the member may name only one person, his or her estate, or a trust as beneficiary of the monthly retirement allowance. The retired member may not change this designation on or after the first day of the month in which the member receives the first retirement allowance.

If the beneficiary dies or divorces the retired member, state law provides that the member's estate becomes the beneficiary. An estate or trust cannot be eligible for a lifetime payment upon the death of a member.



Insurance forms and plan information can be found online at <https://kyret.ky.gov>

YOUR FIRST RETIREMENT PAYMENT

If all required forms have been completed properly and returned by the end of the month prior to your retirement date, the first retirement payment will be deposited or mailed on the 14th of the first month of retirement. Subsequent monthly benefits will be deposited to the retired member's account on the 14th of each month or last business day preceding the 14th. Members are required to have the monthly retirement benefit deposited directly to their bank accounts, unless their bank does not participate in the Automated Clearing House or the member does not have an account with a financial institution.

If the member elects to receive a lump sum or actuarial refund, the check will not be issued until additional information is reported by the employer. Lump sum and actuarial payment refunds cannot be direct deposited and will be mailed. Lump sum and actuarial refunds are generally issued 45 days from the effective retirement date if all required information has been received.

IF YOU DO NOT RETURN THE FORM 6010(S) ON WHICH YOU SELECTED A PAYMENT OPTION WITHIN SIX (6) MONTHS, YOUR NOTIFICATION OF RETIREMENT WILL BE VOID. You will need to file a new Notification of Retirement, and the effective retirement date will be after receipt of the second Notification of Retirement.

POST RETIREMENT ACCOUNT AUDIT

Until a post retirement audit of your account is completed, the monthly benefit will be based on the estimate of benefits made prior to final wages being reported by your employer. Once all wages, contributions and sick leave balances have been reported and the date of termination verified, your benefit payment may be adjusted (up or down) to reflect higher or lower actual earnings retroactive to the retirement date. Retirement benefits will not be adjusted unless the adjustment results in a difference of at least \$2 in your monthly payment.

KRS is statutorily required to correct all errors in records without exception. If an error regarding your account is discovered after the post retirement audit, it will be corrected. If the correction of the error reveals that you have been overpaid benefits, you are required to repay the benefits.



COLA FOR RETIREES

Beginning with the 2013 Fiscal Year, Cost of Living Adjustments (COLAs) will be given to retirees only if the retirement system in which the retiree has service is funded over 100 percent, and giving the COLA will not reduce the funding level of that system under 100 percent. Additionally, a COLA may be given if the General Assembly provides funding to pay for one.



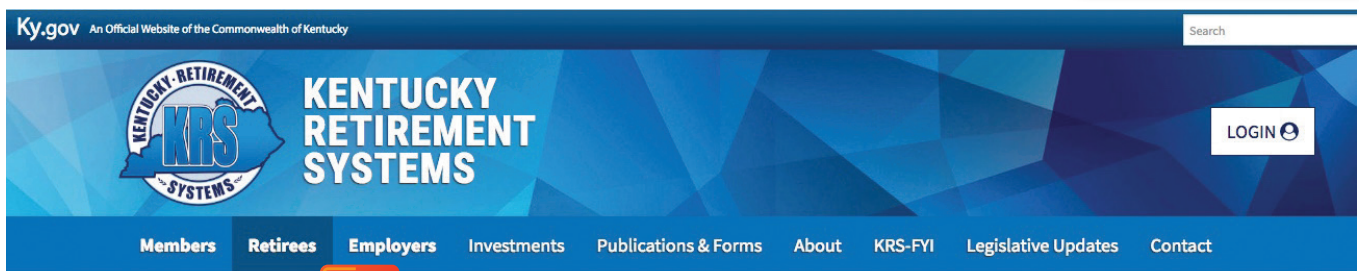
EMPLOYMENT AFTER RETIREMENT



During the 2019 Regular Session of the General Assembly, several bills were enacted. Of those passed, one specifically changes the provisions of current retired re-employed law. For the latest updates on all Legislation Impacting KRS, visit our website at <https://kyret.ky.gov>.



House Bill 419 was passed changing the legal requirements for re-employment after retirement.



Retirees Overview

- Receiving Your Benefits
- Taxes and Your Responsibilities
- Marital Status Change
- Re-employment After Retirement
- Survivor Benefits
- Disability Benefits
- Insurance
- Retiree Self Service
- Retiree Outreach
- Cost of Living Adjustments (COLAs)

Retirees Overview

Currently over 112,000 people draw a monthly benefit from Kentucky Retirement Systems, either as a retiree or as a beneficiary of a deceased retiree. Retirement brings many changes to the lives of our members, and when or how to retire is one of the biggest decisions we all face.

This section of our website can help you learn more about the retirement process, the benefits provided to our retirees, and what retirees can do to re-enter the workforce.



DISABILITY AND SURVIVOR BENEFITS

If you become disabled during the course of employment, you may be eligible to receive disability retirement benefits.

Provided below are the requirements necessary to qualify for disability retirement as well as the steps you must take in order to apply for benefits.

Also included in this section is information regarding payments to beneficiaries of active and retired members of the Systems.



ELIGIBILITY REQUIREMENTS FOR DISABILITY BENEFITS

ELIGIBILITY REQUIREMENTS FOR NON-HAZARDOUS MEMBERS

- The member must have at least 60 months of service credit.
- Please note that in all cases, members participating prior to August 1, 2004 who are eligible for an unreduced benefit cannot apply for a disability benefit.
- The member's application shall be on file in the retirement office no later than 24 months after the person's last day of paid employment in a regular full-time position as defined in Kentucky Revised Statute 61.510.
- The medical examiners contracted by KRS determine if the member is functionally incapacitated since his or her last day of paid employment from performing his or her job, or a job of similar duties.

A disability cannot be caused by a condition which pre-existed membership in the Systems or re-employment, whichever is more recent. The prohibition against pre-existing conditions does not apply if the disability results from a pre-existing condition that has been substantially aggravated by an injury or accident arising out of or in the course of employment, or if the member has at least 16 years of current or prior service in the Systems.



NOTE: In some cases, you must provide an incident report with your disability application.

NOTE: Members must request reasonable accommodations under the American with Disabilities Act as provided for in 42 U.S.C. sec 12111(9) and 29 C.F.R. Part 1630. You **MUST** submit evidence of your request for accommodations.

DUTY RELATED BENEFITS FOR NON-HAZARDOUS MEMBERS

The member must be totally and permanently disabled from engaging in any occupation for remuneration or profit as a result of a single traumatic event that occurs while the member is performing the duties of his position; or a single act of violence committed against the member that is found to be related to his job duties, whether or not it occurs at his job site.

When applying for duty related benefits, please note that the service credit requirement shall be waived if the disability is a result of a duty related injury.

NOTES



NOTE: In some cases, you must provide an incident report with your disability application.

ELIGIBILITY REQUIREMENTS FOR HAZARDOUS MEMBERS

Hazardous disability means a disability which results in an employee's total incapacity to continue as an employee in a hazardous position, but the employee is not necessarily deemed to be totally and permanently disabled to engage in other occupations for remuneration or profit. Total and permanent disability means a disability which results in the member's incapacity to engage in any occupation for remuneration or profit. The following criteria must be met:

- The member must have 60 months of service credit.
- Please note that in all cases, members participating prior to August 1, 2004 who are eligible for an unreduced benefit cannot apply for a disability benefit.
- The person must apply within 24 months of the last day of paid employment in a regular full-time position as defined by Kentucky Revised Statute 61.510.

The medical examiners contracted by KRS determine if:

- The member is functionally incapacitated since his or her last day of paid employment from engaging in any occupation for remuneration or profit OR the member is incapable of working in a hazardous position but may still be capable of performing other types of work.

A disability cannot be caused, directly or indirectly, by an intentionally self-inflicted injury or by a condition which pre-existed membership in the Systems or re-employment, whichever is more recent. The prohibition against pre-existing conditions does not apply if the disability results from a pre-existing condition that has been substantially aggravated by an injury or accident arising out of or in the course of employment, or if the member has at least 16 years of current or prior service in the Systems.

IN THE LINE OF DUTY BENEFITS FOR HAZARDOUS MEMBERS

The service credit requirement shall be waived if the disability is a total and permanent disability or a hazardous disability and is a direct result of an act in the line of duty. Total and permanent disability means a disability which results in the member's incapacity to engage in any occupation for remuneration or profit. An act in the line of duty is an act occurring or a thing done which was required in the performance of the specified duties.

APPLYING FOR DISABILITY RETIREMENT

Step 1 A valid Form 6000, Notification of Retirement, must be filed at the retirement office. If the disabling condition resulted from a duty related injury (non-hazardous) or an act in line of duty injury (hazardous) an incident report must accompany the Form 6000. Upon receipt of a valid Form 6000, a disability packet will be mailed which includes the forms listed below.

Form 8001, Certification of Application for Disability Retirement and Supporting Medical Information

Form 8035, Employee Job Description

Form 8040, Prescription and Nonprescription Medications

Step 2 Obtain all medical information pertaining to the condition.

Step 3 Complete a Form 8035, Employee Job Description, listing and describing the duties of the job performed as of the last day of paid employment and detailing a request for reasonable accommodations.


Step 4 Complete a Form 8040, Prescription and Non-prescription Medications, listing all current medications that you are taking.

Step 5 Complete the Form 8001, Certification of Application for Disability Retirement and Supporting Medical Information, certifying that the application for disability retirement and all supporting medical information are ready to be reviewed by the medical examiners. Submit Forms 8001, 8035, 8040 and supporting medical information to the retirement office.

INFORMATION FOR THE EMPLOYER TO COMPLETE

Step 1 The employer must complete a Form 8030, Employer Job Description, listing and describing the duties performed by the person as of their last day of paid employment. The employer may complete and submit this form online using our Employer Self Service Website.

Step 2 Any requests made by the person for reasonable accommodations under the American with Disabilities Act (ADA) as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 must be submitted. If the person did not request reasonable accommodations under the ADA, the employer should indicate this on the Form 8030.



Find Forms on the KRS website at <https://kyret.ky.gov>

- Form 6000
- Form 8001
- Form 8035
- Form 8040
- Form 8030
Employers may submit online.



NOTE TO MEMBER: If you or your employer fail to complete and file the above forms and supporting medical information at the retirement office within 180 calendar days of the date KRS received your valid Form 6000, Notification of Retirement, your application for disability retirement shall be void. This could prevent you from qualifying for disability retirement benefits in the future or delay the disability determination by the medical examiners which may in turn delay your retirement benefit and health insurance coverage with KRS.

DISABILITY APPLICATION REVIEW

DETERMINATION OF MEDICAL EXAMINERS Upon receipt of the Form 8001 certifying that all objective medical evidence and other required forms are ready to be evaluated by the medical examiners, KRS will submit your application to the medical examiners for review. The examiners must determine if the member, since his last day of paid employment, has been mentally or physically incapacitated to perform the job, or job of like duties, from which he received his last paid employment. In determining whether a job is of like duties, reasonable accommodations of the last employer shall be considered.

The incapacity cannot be based upon a condition that pre-existed membership or re-employment with a loss of service credit for persons with less than 16 years of service, unless objective medical evidence demonstrates that an injury or accident arising out of or in the course of employment substantially aggravated the underlying pre-existing condition.

APPEAL PROCESS If a member is denied disability retirement benefits by the medical examiners, the member will be notified of their right to appeal.



NOTE: The incapacity must be expected to last at least 12 months or result in death to be considered permanent.

RECEIVING DISABILITY BENEFITS

DISABILITY RETIREMENT MAXIMUM BENEFIT If a member applies for Social Security disability and/or Workers' Compensation, the disability benefits from KRS may be reduced if the combined income from KRS, Social Security, and Workers' Compensation exceeds 100% of the member's final rate of pay or final compensation; whichever is greater.

ANNUAL REVIEW PROCESS Once each year following the retirement of a person on a disability retirement allowance, or less frequently as determined by the KRS medical examiner but not less than once every five years, KRS may require the person, prior to his normal retirement date, to undergo an employment and medical staff review. The disability recipient will be required to file at the retirement office current employment and medical information for the bodily injury, mental illness, or disease for which he receives a disability retirement allowance.

RE-EMPLOYMENT A person receiving disability retirement benefits who contemplates re-employment must provide KRS with a detailed job description of the intended position. The job description must be completed by the employer. The medical examiner will review the intended position description to determine if the person may accept the new position and return to work and remain eligible to continue receipt of disability benefits. If a person receiving disability retirement benefits fails to disclose to KRS their re-employment after retirement (includes self-employment), KRS may recover all retirement benefits paid to or on behalf of the person during the employment. Please note that there are additional provisions regarding re-employment after retirement that apply to all retirees, including those receiving disability benefits. **During the 2019 Regular Session of the General Assembly, House Bill 419 was passed changing the legal requirements for re-employment after retirement. For the latest updates, visit our website at <https://kyret.ky.gov>.**

DEATH BEFORE RETIREMENT

NAMING A BENEFICIARY Prior to retirement, a member may name a principal and contingent beneficiary for his/her retirement account by completing and filing a Form 2035, Beneficiary Designation, with KRS. The principal beneficiary will receive benefits in the event of the member's death. The contingent beneficiary will receive benefits in the event of the member's death only if all of the named principal beneficiaries are deceased or the principal beneficiary was the member's spouse and they are divorced. A beneficiary may be one individual, multiple individuals, the member's estate, or a trust.

Prior to retirement, a member may change his or her beneficiary designation at any time by completing and submitting a new Form 2035 to KRS.

ELIGIBILITY REQUIREMENTS FOR BENEFITS PROVIDED If a member dies prior to retirement, the beneficiary may be eligible for a monthly benefit if the member was:

- Eligible for normal or early retirement at the time of death; or
- Working for a participating agency or on official leave at the time of death and had at least 60 months of service credit or was normal retirement age or older with at least 48 months of service credit; or
- No longer working for a participating agency but at the time of death had at least 144 months of service credit.

If the beneficiary is not eligible for a monthly benefit, a lump sum payment of the member's contributions and accumulated interest will be paid.

BENEFICIARY OPTIONS If the beneficiary is eligible for a monthly benefit, the following payment options are provided:

- If the beneficiary is an individual, the beneficiary may choose a lifetime monthly benefit which is equal to the Survivorship 100% Option amount. A single beneficiary may also choose a lump sum actuarial refund, a monthly payment for 5 years, or a monthly payment for 10 years.
- Multiple beneficiaries or a trust may choose a lump sum actuarial refund, a monthly payment for 5 years, or a monthly payment for 10 years. All beneficiaries must select the same payment option.
- An estate may choose a lump sum actuarial refund.

Benefits paid to the beneficiary are based on the amount that would have been payable to the member had he or she filed for retirement at the time of death.



Find Form 2035 on the KRS website at <https://kyret.ky.gov> or log into our self service website.

If Form 2035 is void or invalid, the beneficiary will default to the estate.

NOTES

WORK-RELATED DEATH BENEFITS

When a death is determined to be work-related, the surviving spouse will be the default beneficiary, unless the member has filed a valid Form 2035, Beneficiary Designation, naming someone other than the spouse after marriage to the spouse. The surviving spouse who is deemed the beneficiary may elect to receive benefits under the normal survivor benefit options or a \$10,000 lump sum payment plus a monthly payment equivalent to 75% of the deceased member’s monthly average pay until the surviving spouse remarries. The monthly payment to the surviving spouse upon remarriage shall be reduced to 25% of the member’s monthly average pay. See beneficiary options on prior page for normal survivor benefit options.

DUTY-RELATED DEATH (Non-Hazardous Members) Duty-Related death is a death resulting from a single traumatic event that occurred while the member was performing the duties of his or her position or an act of violence committed against the member that was related to the member’s job duties.

DEATH IN THE LINE OF DUTY (Hazardous Members) Death in the line of duty is a death due to an act occurring or a thing done which was required in the performance of the duties of his or her position.

If the beneficiary is only one person who is a dependent receiving at least 50% of his or her support from the member, the beneficiary may elect the normal survivor benefit options or a lump sum payment of \$10,000.

DEPENDENT CHILD BENEFITS (Hazardous and Non-Hazardous) If there is no spouse then dependent children benefits are determined as follows: A single dependent child may receive a monthly benefit of up to 50% of the member’s monthly average pay. The amount increases to 65% if there are 2 dependent children and 75% if there are 3 or more dependent children. Payments will be divided equally among all dependent children. If a spouse beneficiary selects the \$10,000 lump sum and monthly benefit equivalent to 75% of the member’s monthly average pay, the Systems shall not pay more than 25% in total dependent child benefits.

BENEFICIARY RESPONSIBILITIES The beneficiary is required to submit a death certificate for the deceased member listing the cause of death. Before any payment can be issued, the beneficiary will also be required to complete the appropriate forms to apply for the benefit and provide a birth certificate for the member and beneficiary if one is not already on file. Duty-Related Death and Death in the line of duty benefits will be subject to an application and review process.

NOTES

DEATH AFTER RETIREMENT

BENEFICIARY DESIGNATION AT RETIREMENT At the time of retirement, the member may name only one person, his or her estate, or a trust as beneficiary of the monthly retirement allowance. The retired member may not change this designation on or after the first day of the month in which the member receives the first retirement allowance.

If the beneficiary dies or divorces the retired member, state law provides that the member's estate becomes the beneficiary. An estate or trust cannot be eligible for a lifetime payment upon the death of a member.



A retiring member designates a beneficiary for his or her monthly retirement allowance on Section D of the Form 6000, Notification of Retirement.

BENEFITS PROVIDED Upon notification of a retired member's death, KRS will contact the beneficiary. The beneficiary must complete and file the proper forms and submit a death certificate listing the cause of the member's death. The retired member's estate is entitled to the member's retirement payment for the month of the member's death. If the retired member selected the Basic Option and had not recovered all the member contributions and interest which had accumulated in his or her retirement account, the beneficiary would receive the remaining account balance in a lump sum payment. If the retired member selected a Survivorship Option at the time of retirement, the beneficiary will receive monthly benefits effective the month following the member's death.

The choice of payment option selected at retirement will determine the monthly benefits provided to the beneficiary upon the retired member's death.

\$5,000 DEATH BENEFIT If the retired member is receiving a monthly benefit based on at least 48 months or more of service, including combined service with KERS, CERS, or SPRS, he or she is entitled to name a beneficiary for a \$5,000 Death Benefit payable upon his or her death to an individual, estate, funeral home or trust. This benefit is not a form of insurance since there is no policy. With the \$5,000 Death Benefit, the member can name a beneficiary other than the person named for the monthly benefit. A retired member can change the beneficiary for this benefit at any time by completing and filing a new Form 6030, Death Benefit Designation, with KRS. The \$5,000 death benefit is subject to federal income tax and may be eligible in certain instances for a direct rollover to defer taxes. Find Form 6030 on the KRS website at <https://kyret.ky.gov>.



BENEFICIARY RESPONSIBILITIES:

The beneficiary or estate is required to submit a death certificate for the member listing the cause of death.

An audit will be performed on the deceased member's account once the death is reported to KRS. The retirement office will contact the beneficiary of the account by letter. Please note that a completed death benefit beneficiary designation must be on file with the KRS office in Frankfort prior to the member's death to be valid. A copy received after the member's death is not acceptable.

GLOSSARY

COMMON ACRONYMS

ADA - Americans with Disabilities Act

ADW - Actual Days Worked

CAFR - Comprehensive Annual Financial Report

CCD - Cost Calculation Date

CERS - County Employee Retirement System

COB - Coordination of Benefits

COLA - Cost of Living Allowance

COBC - Coordination of Benefits Contractor

CROP - Current Rate of Pay

ESS - Employer Self Service

FROP - Final Rate of Pay

IEQ - Initial Enrollment Questionnaire

KAR - Kentucky Administrative Regulation

KERS - Kentucky Employee Retirement System

IPS - Installment Purchase of Service Agreement

IRA - Individual Retirement Account

IRC - Individual Retirement Code

IRS - Internal Revenue Service

JRP - Judicial Retirement Plan

LRP - Legislators' Retirement Plan

MSP - Medicare Secondary Payer

MSS - Member Self Service

NHAZ - Non-Hazardous

HAZ - Hazardous

NQ - Non-qualified service

PIN - Personal Identification Number

QDRO - Qualified Domestic Relations Order

RSS - Retiree Self Service

SAFR - Summary Annual Financial Report

SPRS - State Police Retirement System

TIER 1 - Participation date prior to 9/1/2008

TIER 2 - Participation date 9/1/2008 to 12/31/2013

TIER 3 - Participation date 1/1/2014 or after

TRS - Teachers' Retirement System



GLOSSARY OF TERMS

Alternate Sick Leave - Members are paid for unused sick leave and receive service credit at the time of termination or retirement. The money paid for the unused sick leave is used in determining the member's final compensation and the service is used to increase the member's service credit. Page 12.

Beneficiary - Recipient of a member's benefits when the member dies. A beneficiary may be one individual, multiple individuals, your estate, or a trust.

Before-Tax IPS - Installment Purchase of Service Agreement. Member can only use money that has been deducted from the paycheck before taxes have been calculated. Page 18.

Benefit Estimate - An estimate developed to determine what a member's benefit will be at retirement. Page 25.

Benefit Factor - A percentage used to calculate benefits for Tiers 1 and 2. Benefit factors are set by statute and vary depending upon the type of service, amount of service, participation date and the retirement date. Benefit factors are applied based on a tiered structure. Higher factors are attained as members reach specified levels of service. Page 25.

Creditable Compensation - Used to calculate retirement benefits and includes all salary, wages, tips and fees, plus payments for compensatory time paid to you as a result of services performed for the employer, including time when you are on paid leave. Page 6.

COLA - Cost of Living Adjustments. This is determined by the General Assembly. Page 58.

Compensatory Leave - Lump sum compensatory payments before and at the time of retirement are included in final compensation for Tiers 1 and 2.

Contributions - An amount deducted from a member's creditable compensation and are deposited to individual member accounts. The rate is set by state statute. Page 5.

Cost Calculation Date - The last day of the month in which the service purchase is requested.

Current Service - Current service is earned as a contributing member. For each month an employer reports wages and contributions for regular full-time employment, a member earns one month of service credit.

Defined Benefit Plan - It uses a specific formula to determine benefits and the assets of the plan remain in a single investment pool. Tiers 1 and 2 are a Defined Benefit Plan.

Dollar Contribution - The dollar amount of medical insurance coverage KRS pays as part of the member's benefit. This refers to members with a participation date on or after July 1, 2003. Page 56.

Eligibility - Meeting the stipulated requirements

Eligible service credit - The amount of allowable service used to calculate retirement benefits. Each Tier has different requirements. Page 18.

Final Compensation - Tier 1 - Average of member's highest five fiscal years if non-Hazardous. If hazardous, it's the average of the highest three fiscal years. **Tier 2** - Average of member's last five fiscal years if non-hazardous. If hazardous, it's the average of the highest three fiscal years. Page 23.

Hazardous - A classification of employment typically reserved for those in an approved public safety position.

IPS - Installment Purchase Service Agreement- If a service purchase exceeds \$1000, an employee participating in KRS may be eligible to purchase the service through payroll deductions. The installments withheld are based on a contract, which must be set up for a minimum of one year, but for no more than five years. Page 18.

Member ID - An unique account number for KRS members. Page 7.

Member Pension Spiking - Defined as an increase in excess of 10% from the immediately preceding five fiscal years. Page 32.

MSP - Medicare Secondary Payer, term used by Medicare when Medicare is not responsible for paying first. Page 53.

Non-hazardous - A classification of employment not approved for hazardous benefits.

Non-qualified service - Service that is not earned but is purchased (Tier 1 only) Page 14.

Non-vested - Members with less than 60 months of service if under age 65.

Omitted Service - Eligible service that was not reported to KRS. Page 15

Participation Date - The official date when a member began paying contributions and earning service credit with KRS. This may be different from your hire date. The participation date is used to determine member's benefits.

Percentage Contribution - The percentage of medical insurance coverage KRS pays as part of the member's benefit. This refers to members with a participation date prior to July 1, 2003. Page 55.

Prior Service - Service earned before July 1, 1956 in KERS and July 1, 1958 in CERS and SPRS. There is no cost for this service. A member must have at least 12 months and worked at least 100 hours per month of current service in the same retirement system.

PIN number - Personal Identification Number-Issued by KRS. It allows a person to discuss confidential information on a member's account as well as access information via Member Self Service. Page 7.

Recontribution of Refund - A member currently participating in one of the state administered retirement systems who has taken a refund of retirement contributions for previous employment may regain the service lost by paying the amount of contributions withdrawn plus interest calculated from the time of withdrawal. The purchase does not reinstate the original participation date from that service. Note: The member must work for at least six months to validate the purchase. Page 15.

Reciprocity - Kentucky Revised Statute 61.680 and Kentucky Administrative Regulation 1:020 provide for a reciprocal agreement between KERS, CERS, SPRS, JRP, LRP, and TRS. The reciprocal agreement provides that at the time of early, normal, or disability retirement or death, a member's total service in each system will be used toward determining eligibility for retirement benefits and for determining the level of coverage available to the member under group medical insurance plans. Page 20.

Retired Re-Employed - A retired member that returns to employment with a participating agency of KRS. Page 61.

Reduced Benefit - An early retirement which reduces your benefit. Page 25.

Standard Sick Leave- Accumulated sick leave which may be used to calculate the member's service credit. Page 13.

Service Purchase- Service a participating member may purchase in order to increase service credit. Page 14.

Termination Date - Last day of employment with any participating agency of KRS.

Trailing Wages - Wages reported to KRS after termination but earned prior to termination.

Tier - It is the level of your benefits depending upon your participation date. There are 3 different Tiers due to legislative changes.

Tier 1 - Members that are employed with a Kentucky Retirement Systems participating employer and have a participation date prior to September 1, 2008.

Tier 2 - Members that are employed with a Kentucky Retirement Systems participating employer and have a participation date on, or after, September 1, 2008 through December 1, 2013.

Tier 3 - Members that are employed with a Kentucky Retirement Systems participating employer and have a participation date after January 1, 2014.

Vested- Once a member obtains 60 months of service credit. Being vested may change the level of benefits to which you are entitled, health insurance eligibility, and your eligibility to purchase service.

Years of Service - Combination of current service, prior service, purchased service, and sick leave to determine Tiers 1 and Tier 2 benefits.



NOTES

This image shows a full page of blank, lined paper. It features approximately 20 horizontal blue lines spaced evenly across the page, typical of notebook or legal stationery. The lines are thin and light blue, set against a plain white background. There are no margins, text, or other markings present.



OUR WEBSITE

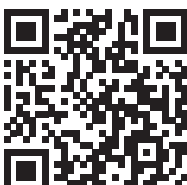
<https://kyret.ky.gov>

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REV 05/2019